

Vital Metals Limited  
ASX Code: **VML**  
ACN: 112 032 596

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[www.vitalmetals.com.au](http://www.vitalmetals.com.au)

## Capital Structure

228.40 million shares  
2 million unlisted options

## Cash at 30 June

\$3.25 million

## Board and Management

David Macoboy  
**Chairman**

Peter Cordin  
**Non-Executive Director**

Andrew Simpson  
**Non-Executive Director**

Doug Stewart  
**Non-Executive Director**

Mark Strizek  
**CEO**

Graeme Smith  
**Company Secretary**

## HIGHLIGHTS

### Watershed Tungsten Project Earn in Agreement

- \$5.4 million Earn In Agreement reached with Japan Oil, Gas and Metals National Corporation (JOGMEC) (subject to conditions precedent);
- JOGMEC to complete a BFS by March 2013 to earn a 30% interest in the Project.

### Doulia Drilling Returns Positive Results

- Encouraging gold assay results intersected at the Doulia Gold Project in Burkina Faso including<sup>1</sup>:
  - 4m @ 8.16 g/t gold from 68m;
  - 5m @ 6.34 g/t gold from 80m
- 12,000 metre drilling programme 50% completed.

### Appointment of New CEO and New Director

- Mark Strizek appointed as CEO.
- Doug Stewart appointed as NED and Special Advisor to the Watershed Tungsten Project.

## Project Locations



<sup>1</sup>VML ASX Release 9 June 2011



## Corporate

Mark Strizek, formerly General Manager – Exploration at Iron Ore Holdings Limited, has been appointed as the Company's CEO. Mr Strizek has a Bachelor of Science (Geology) degree, postgraduate qualifications in geostatistics and is a highly regarded industry professional with extensive experience in geology and mining.

The Company also appointed Doug Stewart as a non-executive director and special advisor to the Company's Watershed Tungsten Project. Mr Stewart has extensive experience over a 40 year career in the industry with broad technical and commercial experience in the resources sector. Mr Stewart is a Fellow of both the AusIMM and the Australian Institute of Geoscientists.

## CashBalance

Vital Metals Ltd had a cash balance of \$3.25mat 30June 2011.

## Operations

### Watershed Tungsten Project –Queensland (Vital 100%)

*The Watershed scheelite (calcium tungstate) Project, in far North Queensland, 150 kilometres north-west of Cairns, is the Company's flagship venture.*

*Vital has entered into a formal Earn-In Agreement with JOGMEC (Japan Oil, Gas and Metals National Corporation) where JOGMEC can earn 30% of the Project for \$5.4M over 2 years. (The Earn in Agreement is subject to conditions precedent).*

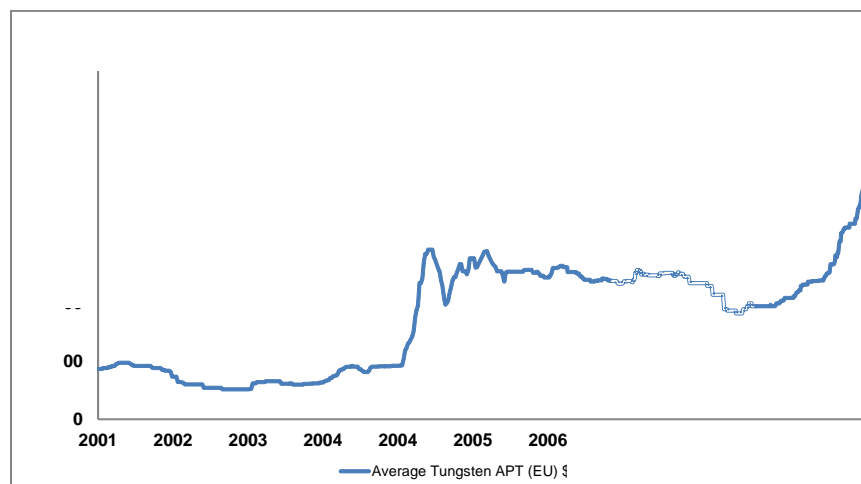
*The funds will be used to complete a BFS (Bankable Feasibility Study).*

*In the interim, Vital has also been progressing environmental approvals for Watershed, which is being assessed under the EIS process.*



## Market Outlook

*The Project is attracting renewed attention due to recent, strong increases in the price of tungsten and the strategic relevance of China controlling over 75% of global supply. Following Chinese export restrictions, there has been a marked increase in the price of tungsten. With the outlook for tungsten remaining positive, the timing is opportune for development of the Watershed Project.*

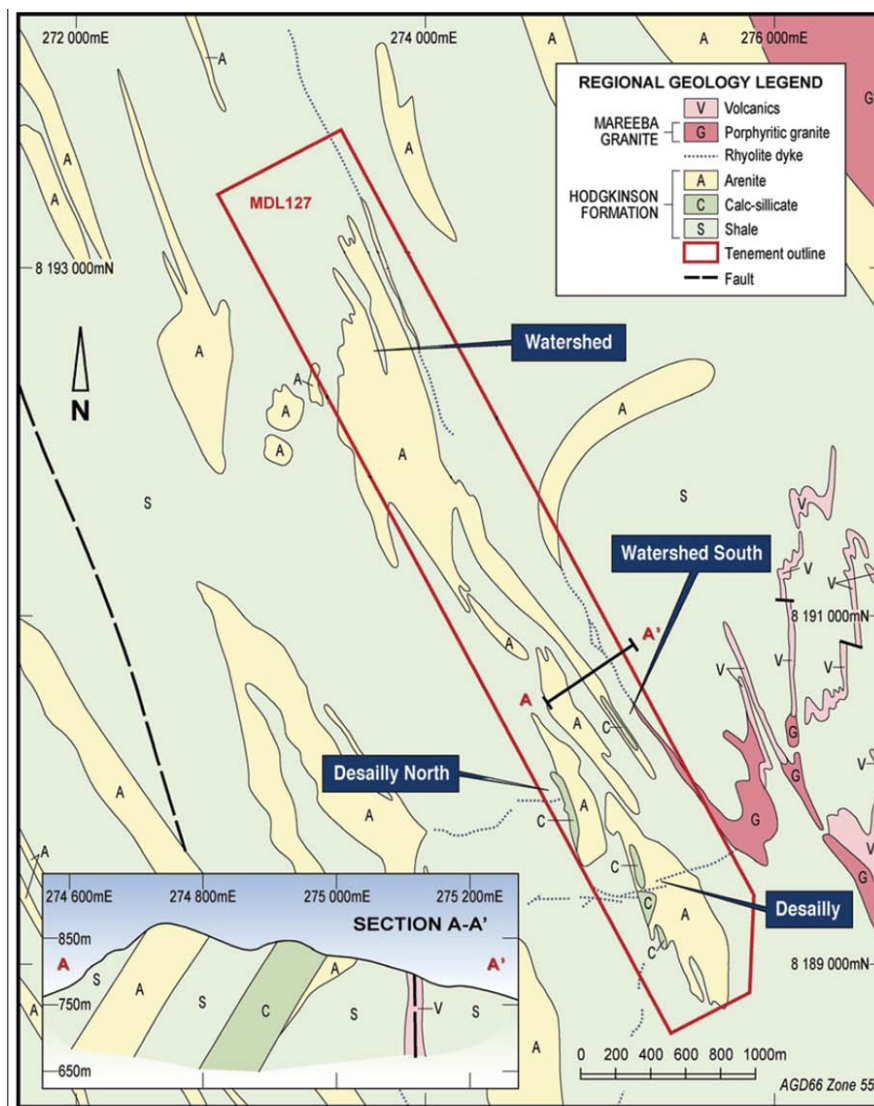


## Watershed Geology

The Watershed project area is dominated by arenaceous and argillaceous metamorphosed sediments of the Hodgkinson Formation. These rocks form a prominent ridge that hosts the known tungsten mineralisation.

The dominant structural fabric is an upright, north-northwest trending cleavage. The nearest exposure of granitoid lithologies to the Watershed property is a northwest-trending porphyritic granitoid exposed approximately two kilometres to the east of the project area.

The Watershed deposit is part of a large structural system that is largely unexplored. In addition to Watershed, there are also exploration prospects at the Watershed South, Desailly and Desailly North prospects.



## JOGMEC Earn-In Agreement

During the quarter, Vital entered into an Earn-In Agreement over the 100% owned Watershed Tungsten Project with Japan Oil, Gas and Metals National Corporation (JOGMEC). Under the terms of the Agreement JOGMEC can earn 30% of the Watershed Project by spending \$5.4 million over a period of just under two years (by March 2013) to fund completion of a Bankable Feasibility Study (BFS) for the Project.

Chinese export restrictions of tungsten to meet that country's own internal demands, have given rise to a marked increase in the price of tungsten, with the status quo unlikely to change significantly in the near-term. Spot Tungsten (APT) prices have risen from US\$250 per mtu in September 2010 to US\$450 per mtu currently.

As a result there is considerable interest in the potential of the Watershed Project, reinforced by Vital's ability to attract a potential partner of JOGMEC's credibility.

The Agreement with JOGMEC is subject to a number of conditions precedent, including a 90-day due diligence period by JOGMEC to the end of August 2011, and Foreign Investment Review Board (FIRB) approval.



Should the Agreement proceed, JOGMEC will make the \$5.4 million payment in a series of installments over the Earn-In period, including an initial payment of \$800,000 by 30 September 2011, and subsequent payments of \$2.0 million and \$2.6 million by 31 March 2012, and 31 March 2013 respectively.

## Doulnia Gold Project – Burkina Faso, West Africa

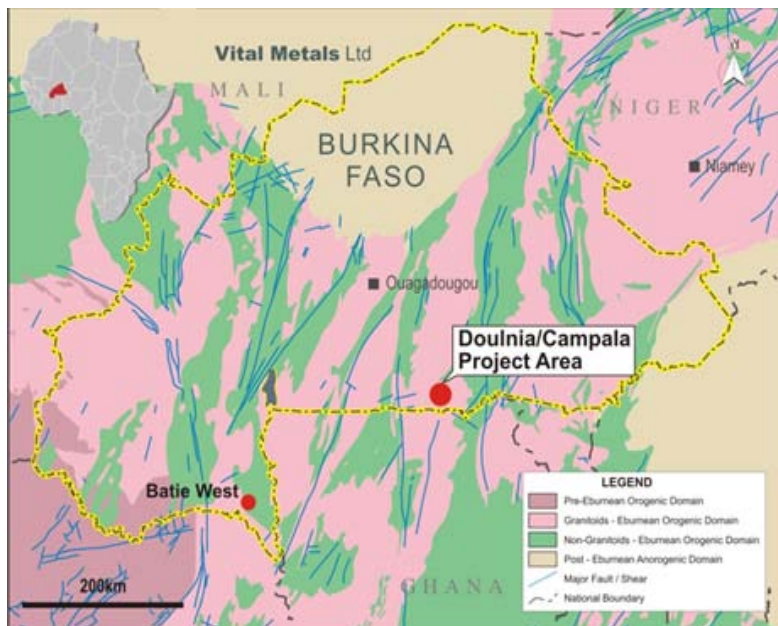


Figure 1 - Doulnia/Campala Project - Location Plan

*In November 2009, Vital entered into a farm-in agreement with Ampella Mining Ltd to earn up to 80% of the Doulnia Gold Project in southern Burkina Faso, West Africa. Vital has completed a comprehensive review of previous exploration and the regional to local geophysical, structural, geological and geochemical attributes of the Project.*

*The Phase 1 drill programme confirmed the highly prospective nature of the project in general and the Kollo Prospect in particular.*

## Phase Two Drilling Programme

During the quarter Vital provided an update on exploration progress at the Doulnia Gold Project (ASX: 9 June), including drill results from 30 drill holes in the current, Phase 2, 12,000m programme.

Assay results from four-metre composites were reported, with results continuing to confirm the Doulnia Project's prospectivity for gold.

Significant intercepts reported during the quarter include:

- 4m at 8.16 g/t gold from 68m (KRC068)
- 5m at 6.34 g/t gold from 80m (KRC082)

A full listing of assay results, including these significant intercepts is presented in Table 1.

The Phase 2 programme is some 50% complete and has included more regional testing of the Kollo prospect.

The results of the current drilling phase continue to increase confidence in the prospectivity of the Project, while adding to the understanding of the local geology (Figures 3 and 4).

The gold mineralisation at Kollo is largely hosted within quartz feldspar porphyry, and a review is underway on all assay results, geology logging and field mapping with the aim of refining the exploration model for the remaining drilling with a focus on the most prospective soil anomalies that are associated with felsic litho types.



During the period under review, Vital secured and deployed a second RC rig, significantly upgrading operational capacity for the field programs, and in particular expediting testing of a number of priority drill targets identified from the soil-sampling programme.

### Site Visit

Subsequent to the end of the quarter, Chairman David Macoboy and newly appointed CEO, Mark Strizek undertook a visit to the Doulunia site, primarily to review exploration progress and to hold discussions with the Project Joint Venture partners, Ampella Mining.

A market update will be provided following the visit.

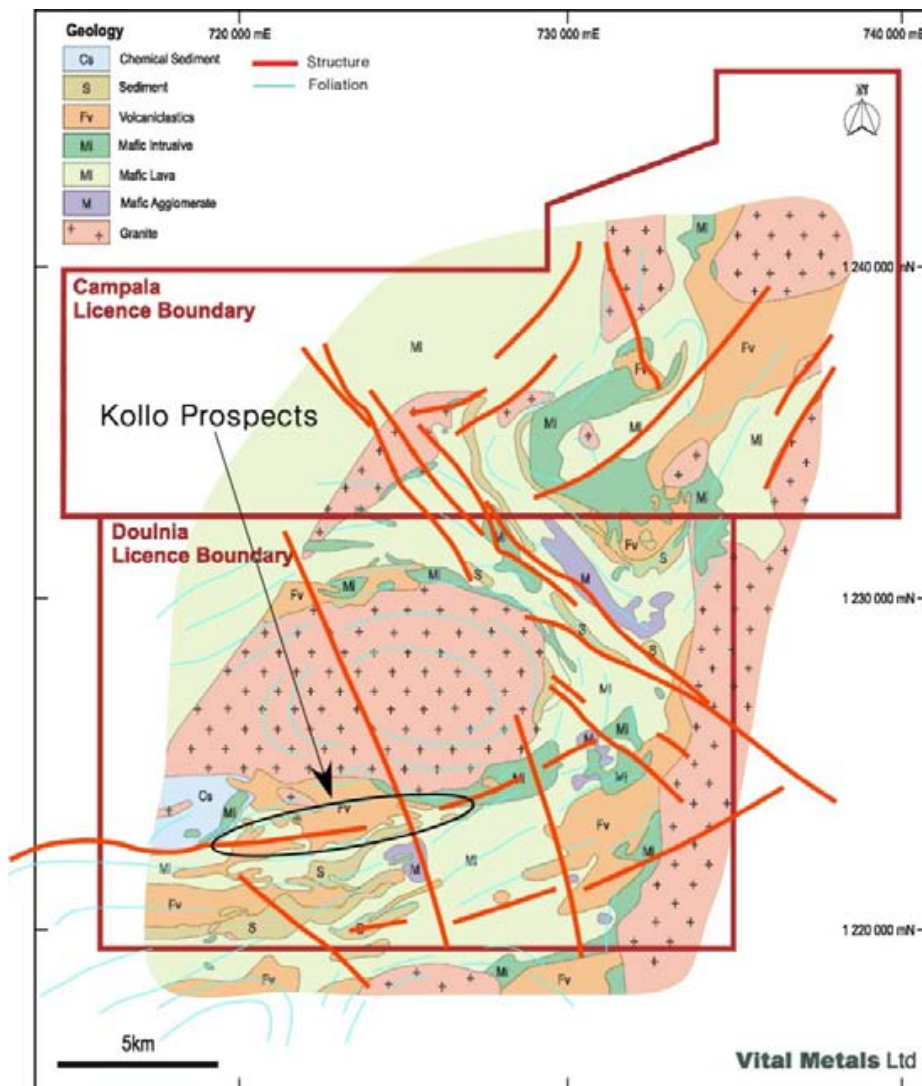


Figure 2: Doulunia/ Campella Project - Geological Setting



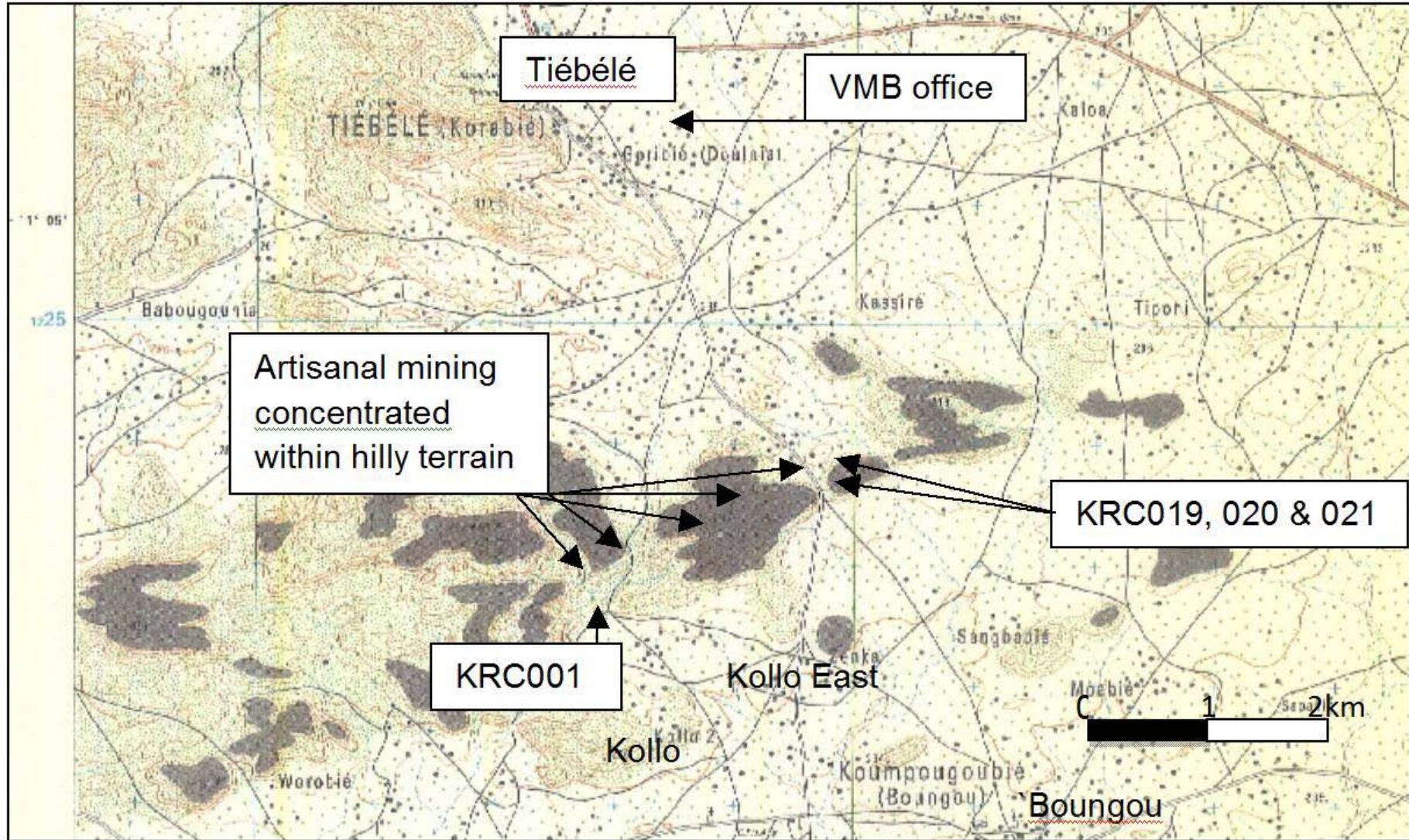


Figure 3: Location of the Kollo prospects, Vital field office and selected drill collar locations



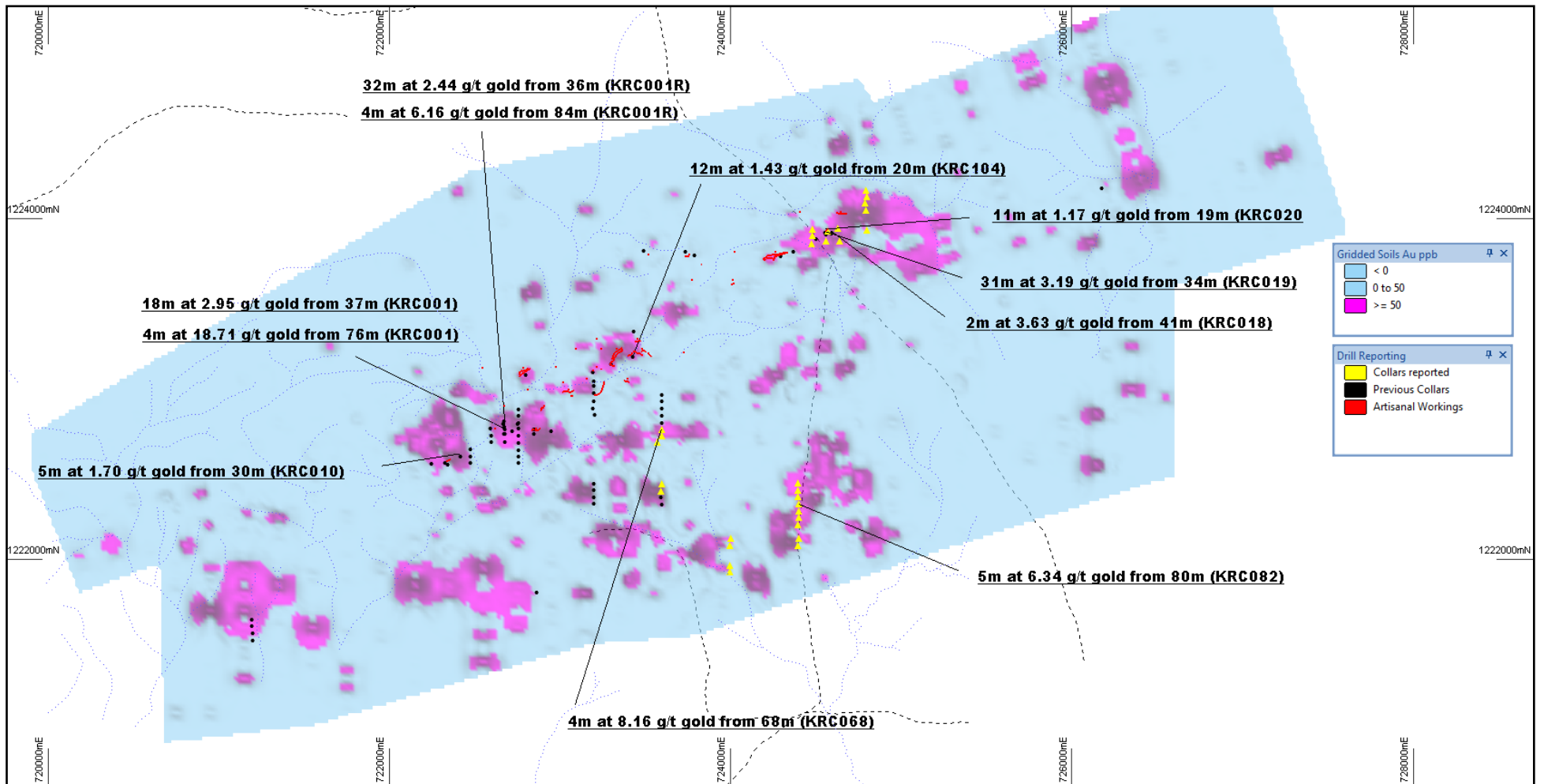


Figure 4: Significant RC intercepts from the Kollo prospect with gridded soils and artisanal workings as background



**Table 1: Gold Assays for Exploration Drilling at Kollo prospect**

Hole ID	East UTM WGS84	North UTM WGS84	Depth (m)	Azimuth	Dip	From (m)	To (m)	Interval (m)	Grade (g/t Au)
KRC065	723,597	1,222,399	75	0	-60	NSI			
KRC066	723,600	1,222,438	79	0	-60	NSI			
KRC067	723,571	1,222,682	79	0	-60	52	56	4	1.08
KRC068	723,602	1,222,722	75	0	-60	12	16	4	0.39
						68	72	4	8.16
KRC069	723,600	1,222,759	75	0	-60	NSI			
KRC075	724,001	1,222,120	75	0	-60	NSI			
KRC076	724,000	1,222,080	75	0	-60	NSI			
KRC077	723,996	1,221,962	75	0	-60	NSI			
KRC078	723,997	1,221,926	75	0	-60	NSI			
KRC080	724,399	1,222,444	75	0	-60	68	72	4	0.34
KRC081	724,400	1,222,402	75	0	-60	NSI			
KRC082	724,400	1,222,281	85	0	-60	56	60	4	0.31
						80	85	5	6.34
KRC083	724,400	1,222,241	75	0	-60	NSI			
KRC084	724,400	1,222,202	75	0	-60	NSI			
KRC085	724,401	1,222,120	85	0	-60	NSI			
KRC086	724,398	1,222,081	75	0	-60	NSI			
KRC087	724,561	1,223,863	130	0	-60	36	40	4	0.36
						52	56	4	0.23
						64	76	12	0.84
KRC088	724,478	1,223,847	79	0	-60	24	36	12	0.71



KRC089	724,482	1,223,898	75	0	-60	12	20	8	0.85
						28	32	4	1.61
						52	75	19	0.59
KRC090	724,481	1,223,936	75	0	-60	36	40	4	0.36
KRC091	724,574	1,223,922	75	0	-60	16	24	8	1.18
						40	44	4	0.24
						64	72	8	0.93
KRC092	724,632	1,223,940	85	0	-60	8	12	4	0.27
KRC094	724,644	1,223,864	85	0	-60	NSI			
KRC095	724,801	1,223,927	91	0	-60	12	20	8	2.81
						24	28	4	0.21
						32	36	4	0.28
						40	44	4	0.21
KRC097	724,796	1,224,045	85	0	-60	NSI			
KRC098	724,793	1,224,088	75	0	-60	NSI			
KRC099	724,802	1,224,124	75	0	-60	NSI			
KRC100	724,798	1,224,162	85	0	-60	NSI			
KRC114	724,400	1,222,322	85	0	-60	NSI			
KRC115	724,399	1,222,364	75	0	-60	NSI			

NSI = No Significant Intercept

Table 1 shows the complete list of mineralised gold intercepts from 4m sample composites.

Mineralised intercepts have been generated by applying a nominal 0.2 g/t Au lower cut-off grade.

Results reported are for drilling and assaying completed since 24 March 2011 and received and validated prior to date of this release.

The RC chips were assayed by Fire Assay at BIGS Global Laboratories in Ouagadougou using a 50g charge.

Vital inserted QA/QC reference material samples (blanks and gold standards) at regular intervals of not less than one in 20 for all batches of samples.



## About Vital Metals

Vital Metals Ltd (ASX: VML) is a high-value in-use metal explorer and developer, focused on progressing two highly prospective mineral projects: the advanced Watershed Tungsten Project in far north Queensland, Australia and the Doulnia Gold Project in southern Burkina Faso, West Africa.

Vital has an experienced Board and management team and is committed to delivering shareholder value from these and other potential projects.

## Contacts

For further information, refer to the company's website, [www.vitalmetals.com.au](http://www.vitalmetals.com.au), or contact:

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Chief Executive Officer  
+61 (0) 8 9 436 6944

Media:  
Purple Communications - Annette Ellis  
+61 (0) 8 6314 6300 / 0458 200 039

## Competent Person's Statement

The information in this announcement that relates to exploration results is based on information compiled by Mr Mark Strizek, who is a Member of the Australasian Institute of Geoscientists. Mr Strizek is an employee of the Company and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Strizek consents to the inclusion in the announcement of the matters based on the information in the form and context in which it appears.



# Appendix 5B

## Mining exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10

Name of entity

**Vital Metals Limited**

ABN

32 112 032 596

Quarter ended ("current quarter")

30 June 2011

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	(563)	(1,578)
(b) development	-	-
(c) production	-	-
(d) administration	(351)	(1,157)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	61	123
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material) R&D tax refund	-	191
<b>Net Operating Cash Flows</b>	<b>(853)</b>	<b>(2,421)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(62)	(155)
1.9 Proceeds from sale of: (a) prospects	-	480
(b) equity investments	48	48
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	(5)	13
<b>Net investing cash flows</b>	<b>(19)</b>	<b>386</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(872)</b>	<b>(2,035)</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(872)	(2,035)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	-	3,374
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material) Share issue transaction costs	7	(119)
	<b>Net financing cash flows</b>	7	3,255
	<b>Net increase (decrease) in cash held</b>	(865)	(1,220)
1.20	Cash at beginning of quarter/year to date	4,119	2,034
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	3,254	3,254

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	123
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Item 1.23 includes aggregate amounts paid to directors including salary, directors' fees, consulting fees and superannuation.

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

--

**Financing facilities available**

*Add notes as necessary for an understanding of the position.*

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	Nil	Nil
3.2	Credit standby arrangements	Nil	Nil

+ See chapter 19 for defined terms.

**Estimated cash outflows for next quarter**

		\$A'000
4.1	Exploration and evaluation	400
4.2	Development	-
4.3	Production	-
4.4	Administration	200
<b>Total</b>		<b>600</b>

**Reconciliation of cash**

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	676	1,095
5.2 Deposits at call	2,578	3,024
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter</b> (item 1.22)	<b>3,254</b>	<b>4,119</b>

**Changes in interests in mining tenements**

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1		Interests in mining tenements relinquished, reduced or lapsed		
6.2		Interests in mining tenements acquired or increased		

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

**Issued and quoted securities at end of current quarter**

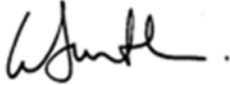
*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference +securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	228,401,027	228,401,027		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 <b>+Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <i>(description and conversion factor)</i>	2,000,000		<i>Exercise price</i> 20 cents	<i>Expiry date</i> 17/11/2011
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter	2,000,000		40 cents	30/06/2011
7.11 <b>Debentures</b> <i>(totals only)</i>				
7.12 <b>Unsecured notes</b> <i>(totals only)</i>				

+ See chapter 19 for defined terms.

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:   
(Company secretary)

Date: 29 July 2011

Print name: **Graeme Smith**

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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