

Vital Metals Limited

ASX Code: **VML**

ACN: 112 032 596

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Peppermint Grove, WA 6011

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Email: info@vitalmetals.com.au

www.vitalmetals.com.au

Capital Structure

228.40 million shares

5.5 million unlisted options

Cash at 30 September

\$2.7 million

Board & Management

David Macoboy
Chairman

Mark Strizek
CEO and Managing Director

Peter Cordin
Non-Executive Director

Andrew Simpson
Non-Executive Director

Doug Stewart
Non – Executive Director

Graeme Smith
Company Secretary

HIGHLIGHTS

Watershed Tungsten Project, Queensland

- JOGMEC provided notice of participation on 22nd August 2011, with the first payment of \$800,000 being received from JOGMEC on the 14th September. This payment was provided by JOGMEC as part of their commitment to fund DFS and earn a 30% interest in the Project.
- Project Manager appointed to manage Watershed DFS.
- Metallurgical test-work program commenced.
- Preparations being made for diamond drilling program.
- EPM 18171 granted to Vital (100% interest).

Doulnia Gold Project, Burkina Faso

- Project best gold assay results intersected at the Doulnia Gold Project in Burkina Faso, West Africa including¹:
4m at 58.03 g/t gold from 24m within an interval of 44m at 6.39 g/t gold from 8m.
- 12,000 metre drilling programme completed and all gold assay results received from laboratory.
- 60% Farm in milestone with Ampella Mining Limited reached.
- SEMS Exploration appointed to provide additional geological support.
- Drilling contract just signed and drill rig expected to be on site before December.
- New Country Manager appointed to lead field exploration and drilling program.
- Mediga tenement granted (100% interest).



Project Location

¹ VML ASX Release 3 August 2011



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Corporate

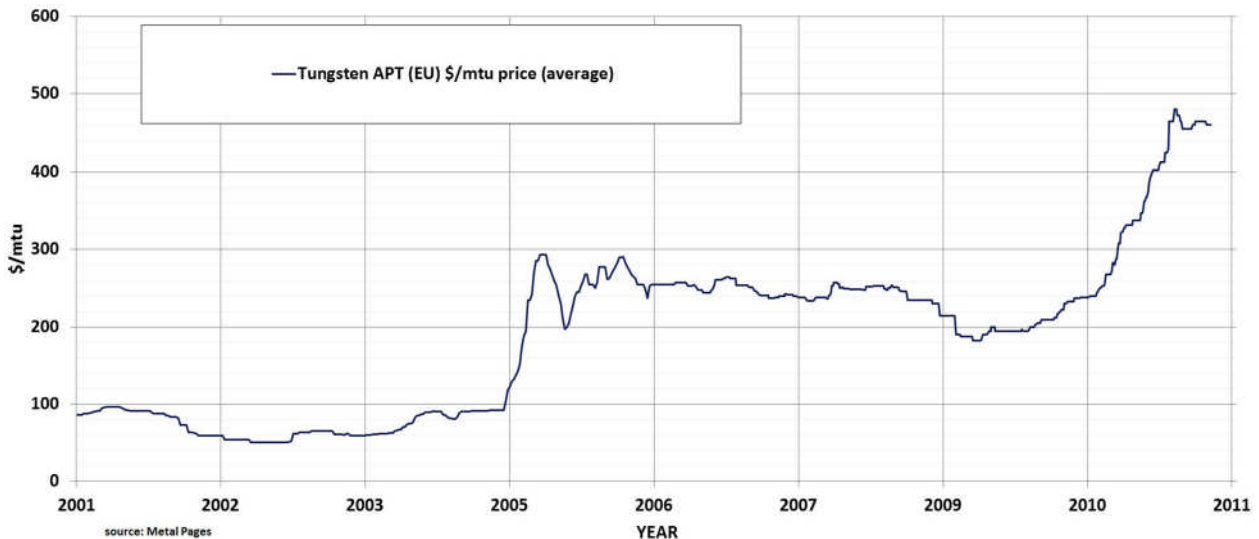
Mark Strizek has been appointed as the Company's Managing Director.

Cash Balance

Vital Metals Ltd had a cash balance of \$2.7m at 30 September 2011.

Tungsten Market

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 rose from US\$250 per mtu in September 2010 to US\$450 per mtu currently.



Future Outlook

- Global demand for tungsten is forecast to continue growing strongly, particularly in hard metal and cutting tool utilization. Global deep well drilling is also increasing demand.
- Global supply of tungsten is forecast to grow at 6% per annum. However this is subject to confirmation on a number of new projects outside China.
- Primarily due to declining grades in traditional mining areas and increasing wage costs, the cost of production in China continues to increase strongly.
- By 2012 China's demand is forecast to significantly exceed its domestic supply. Despite its strong domestic production program, China is already the world's largest importer of tungsten concentrates.
- Over the past decade, recycling has filled the shortfall in mined supply, however recycling programs has now reached maximum efficiency and will not continue to be an increased supply source.
- The indicated new price regime will encourage new projects coming to market. However, this potential increased supply is not expected to match forecast demand in the short to medium term, particularly as the lead time for developing new mines is increasing.
- If the Chinese government changes tungsten export quotas, the price situation may change unpredictably.



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Operations

Watershed Tungsten Project – Queensland (Vital 100%)

The Watershed Project (Figure 1) is amongst the top ten undeveloped tungsten resources outside of China² and is well positioned as a potential new supply as demand for the metal continues to grow.

Vital has been active in increasing its tenure position and now has access to an exploration portfolio that covers an area of more than 600km². The increase in land holding has been achieved via the grant of a new application (EPM 18171) and purchase of tenements (transfer pending) from Republic Gold Limited (EPM 14735 and EPM 10026) and Seco Resource Finance Pty Ltd (EPM 15544). Seven Mining Lease Applications are on foot and these tenements cover 1,900Ha.

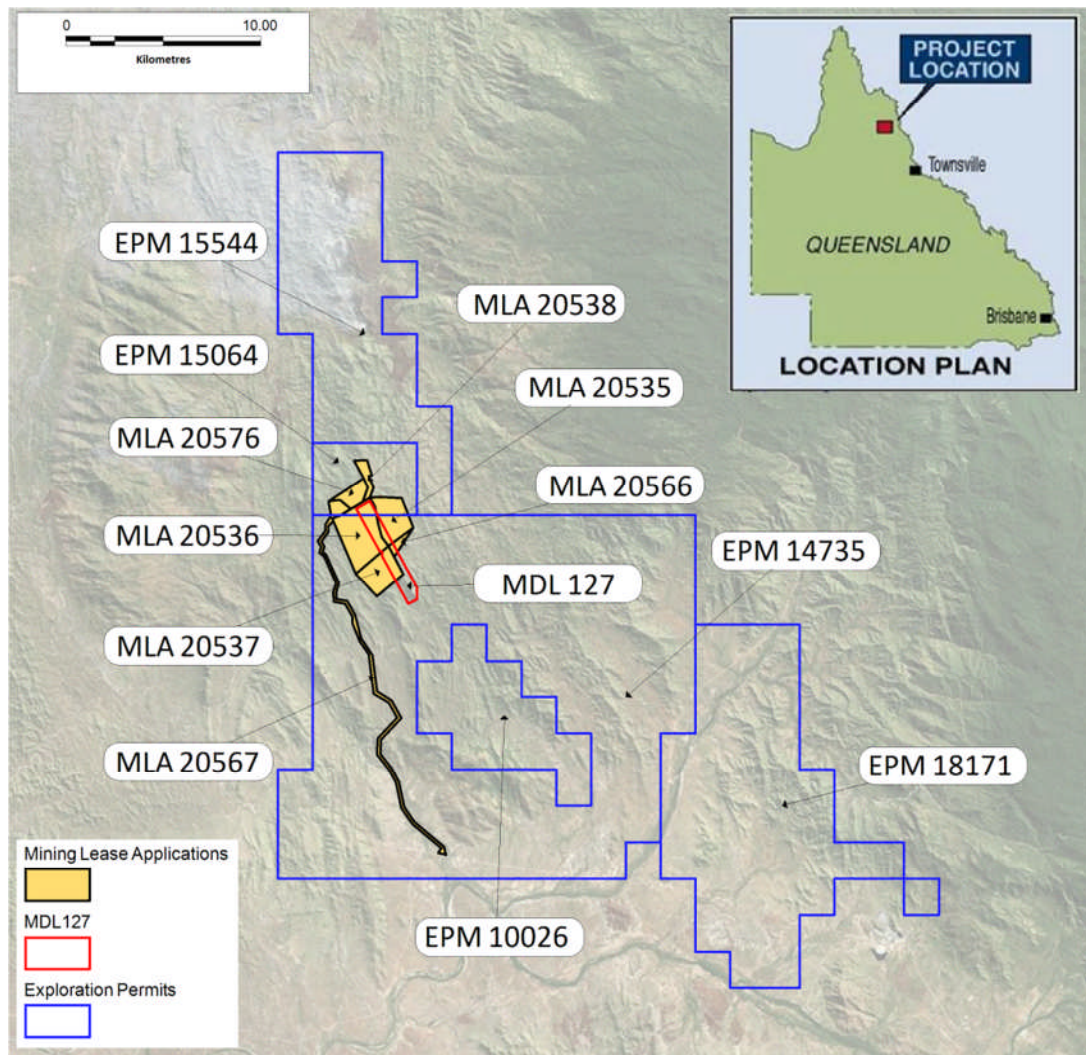


Figure 1: Watershed Project Location

The Watershed project area (Figure 2) is dominated by arenaceous and argillaceous metamorphosed sediments of the Hodgkinson Formation. These rocks form a prominent ridge that hosts the known tungsten mineralisation are 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.

² The Ten –Year Strategic Outlook for the Global Tungsten Market; Clark & Marron Pty Ltd; Aug 2011 .



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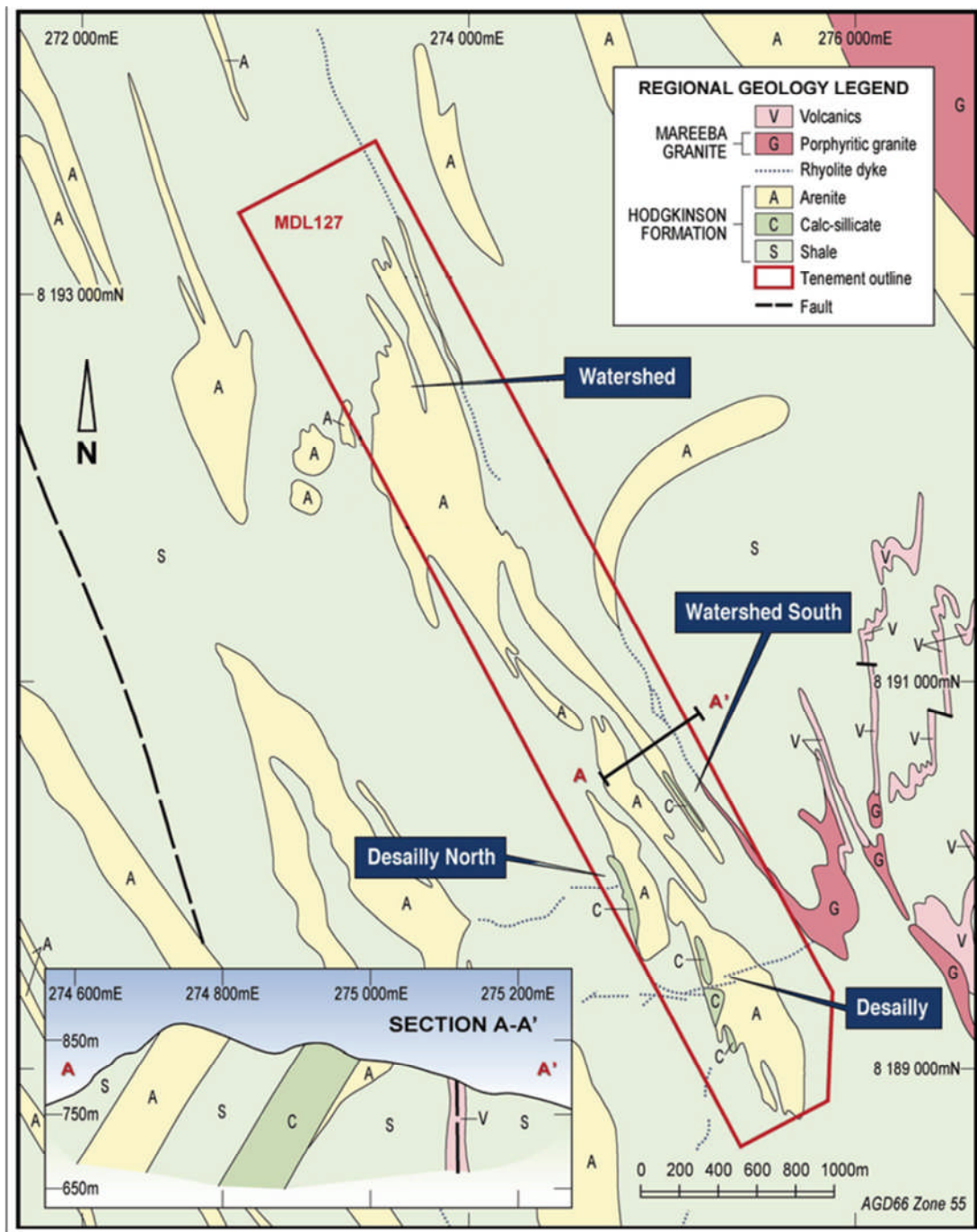


Figure 2: Watershed Project Location

Tungsten mineralisation occurs exclusively as scheelite and is hosted by calc-silicate and albite-muscovite altered rock units and by quartz-feldspar veins invading both the altered units and the enclosing unaltered host rocks.

The mineralisation is observed to occur predominantly in quartz-scheelite vein swarms that are usually oriented east-west. Vein widths observed in drill core range from 0.5cm to 100cm.

The Watershed Project has an undiluted, JORC Code Compliant Indicated Resource of 15.1Mt grading 0.46% WO₃ for 69.kt contained metal at a cut-off of 0.1%. The



Resource comprises 997 mineralised intercepts including 304 intercepts exceeding 5m @ 0.5% WO3, of which 160 exceed 5m @ 1.0% WO3. The average length of the mineralised intercepts is 5.4m.

Vital's geological team believes that there is significant scope to extend limit of the known scheelite mineralisation at depth; having observed a trend for the mineralisation to increase with depth as shown in hole MWD119 which intersected 20m @ 1.27% WO3 from 302m (Reported to ASX 17 February 2007).

Using the Vein Swarm model (Figure 3) which shows a good correlation with drilling; it appears that there is potential for the mineralisation to exhibit significantly higher grade and thickness at depth. Further drilling will be required to confirm grades and continuity however there appears to be reasonable potential for an underground mining operation in the future.

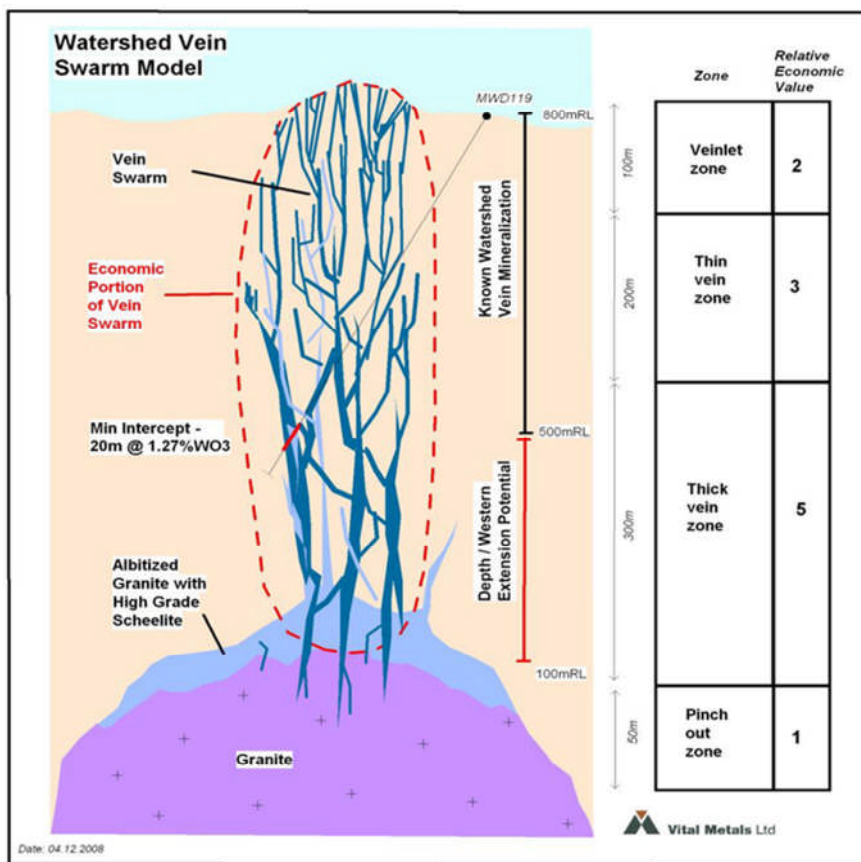


Figure 3: Watershed Vein Swarm Model

Vital received a formal notice of participation in the Watershed Tungsten Project from Japan Oil, Gas and Metals National Corporation (JOGMEC) on 22nd August 2011. Under the terms of the Agreement JOGMEC can earn 30% of the Watershed Project by spending \$5.4 million to fund completion of a Definitive Feasibility Study (DFS) for the Project. JOGMEC will make the \$5.4 million payment in a series of instalments over the Earn-In period and the initial payment of \$800,000 was received on the 22nd September 2011.

The Vital management team is very encouraged by the recent decision taken by JOGMEC. In addition to the benefit of a funding partner, JOGMEC brings considerable



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technical and development expertise to the DFS process, and is also of strategic value in terms of future off-take.

Vital has appointed, Mr Paul Rundel as Project Manager to manage the Watershed DFS. Paul is a qualified metallurgist and has previously worked on the Watershed Project and most recently has come to Vital after having managed a number of successful upgrades at Territory Iron's France Creek operations.

The first phase of the Metallurgical test-work program has commenced and will provide additional samples for further work.

Preparations are being made for a limited diamond drilling program which will be used to test inferred material and is also designed to close off mineralisation along strike.

Doulnia Gold Project – Burkina Faso

Vital's gold projects (Figure 4) are located in favourable geotectonic settings at, or near to, the intersection of the Markoye Fault Corridor (host of Essakane, Tarpako, Bombore, Kiaka and Youga gold deposits of >16 Moz combined resource/reserve) and the 1,200km long Bole Shear Zone (host to Castle's and Azumah's exciting gold projects).

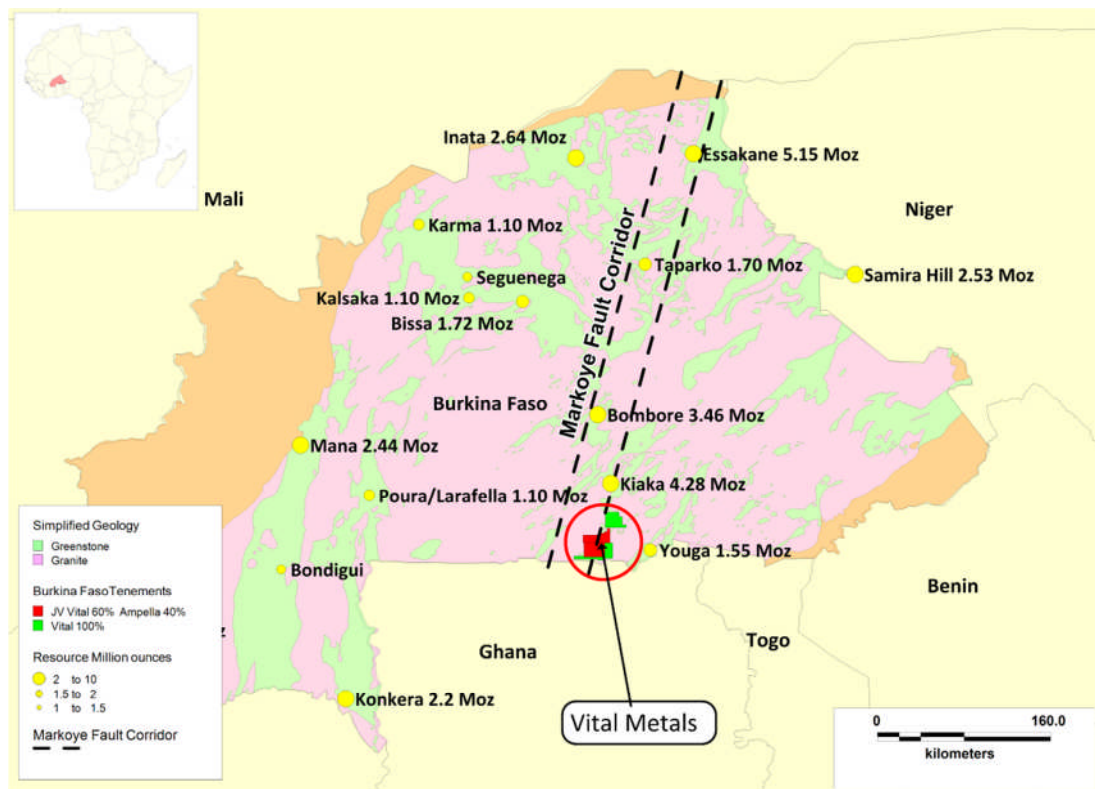


Figure 4: Project Location Burkina Faso

Vital secured 60% ownership of the Doulnia and Kampala tenements (Ampella 40%) during the year. With the recent grant of the Mediga tenement (Vital 100%), Vital now has a strategic tenement package (Figure 5) of ~ 850 km² of contiguous tenements (including JV lease areas) which increases the potential for further gold discoveries.



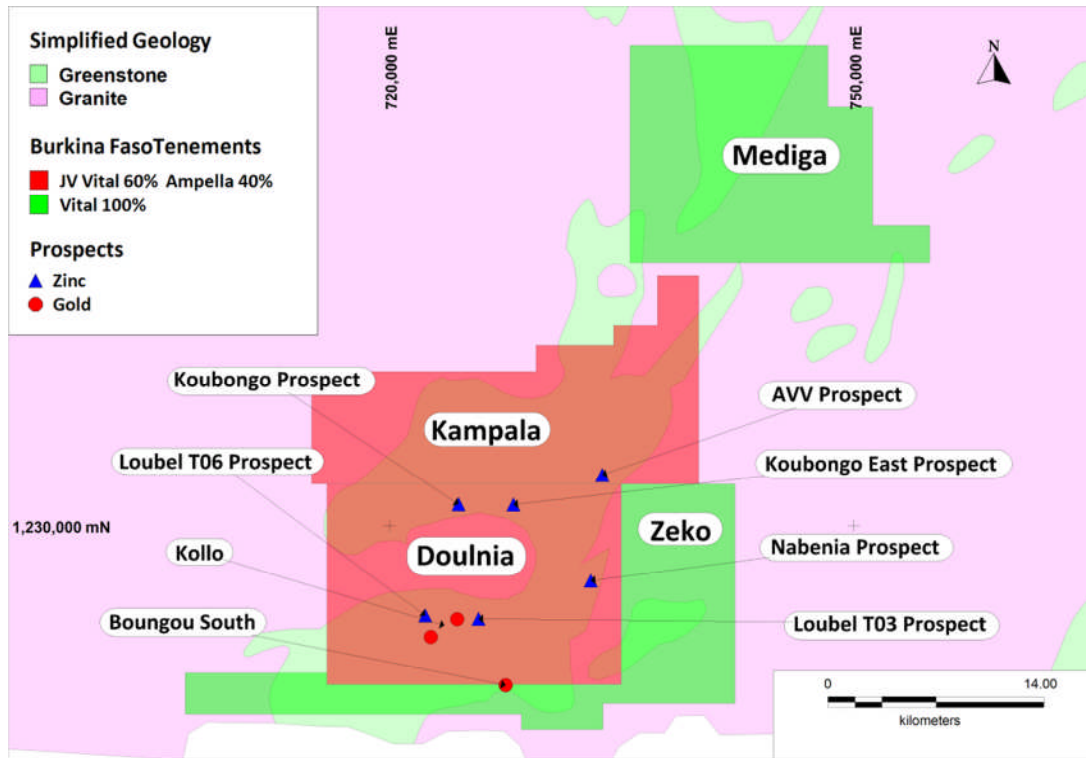


Figure 5: Vital Tenements and Prospects

Joint Venture Tenements (Vital 60%, Ampella 40%)

- Doulnia (247 km²)
- Kampala (216 km²)

Vital Tenements

- Mediga (219 km²)
- Zeko (170 km² application)

Exploration activity was focused on the Doulnia tenement during the quarter with the final gold assay results from 12,000m of RC drilling being received for the Kollo gold prospect. (Reported to ASX on 3/8/2011).

Among the standout intersections from the drilling at Kollo was the result from KRC 210; 44m at 6.39 g/t gold from 8m which included 4m at 58.03 g/t gold from 24m

The drilling programme tested a number of prospective targets on the Doulnia Tenement, was aimed at further defining the width, gold tenor and continuity of mineralisation at the Kollo gold prospect.

The programme targeted geochemical anomalies, and included infill and step out drilling around known areas of mineralisation. Assay results (Figure 6) confirmed multiple sub-parallel zones of gold mineralisation, over a strike extent of at least 3km within the Kollo Prospect area.



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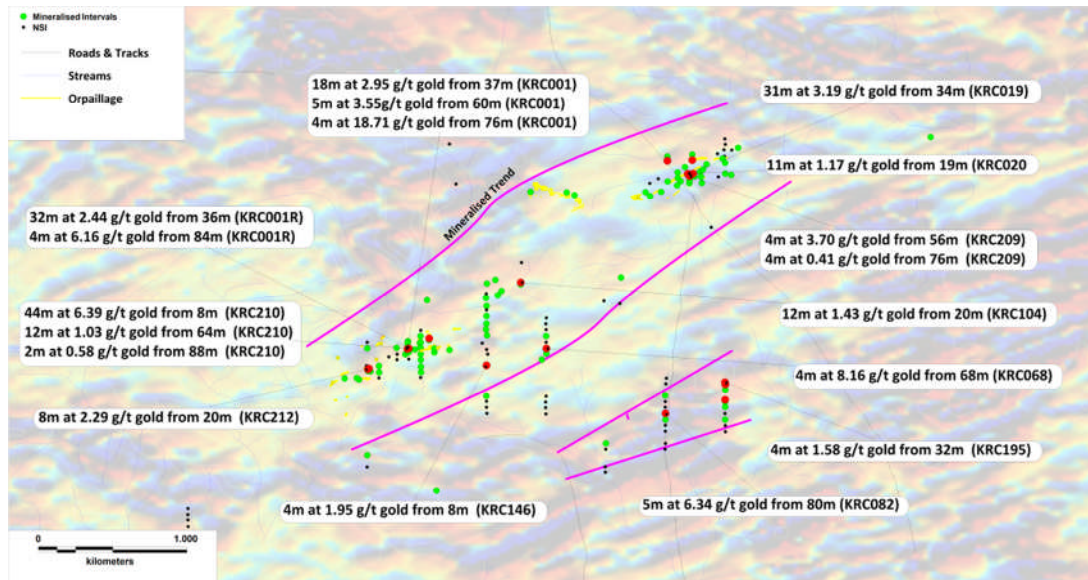


Figure 6: Kollo Drilling

Gold mineralisation (Figure 7) was identified in multiple zones, enveloped by broader zones of strong sulphide and sericite alteration. The zones are parallel to regional foliation, major structures and the trend of new artisanal workings.

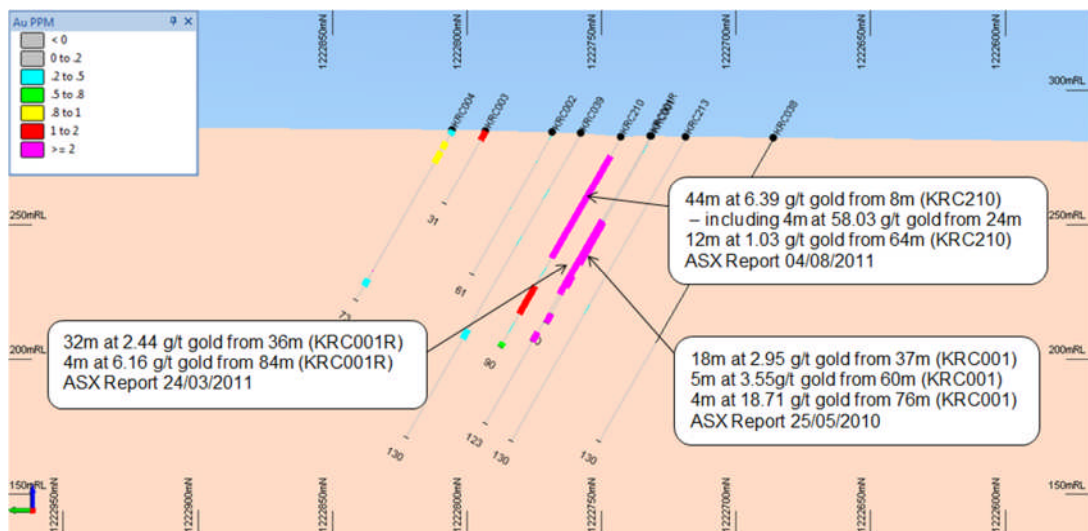


Figure 7: Kollo Cross Section

Significant intercepts from the drilling include:

- 44m at 6.39 g/t gold from 8m (KRC210), Including 4m at 58.03 g/t gold from 24m
- 4m at 3.70 g/t gold from 56m (KRC209)
- 8m at 2.29 g/t gold from 20m (KRC212)
- 4m at 1.95 g/t gold from 8m (KRC146)
- 4m at 1.58 g/t gold from 32m (KRC195)

In August this year Vital earned 60% of the Project having expended \$1.5m. Following the success of the initial exploration programmes, the Board has committed to sole funding a further \$2m to earn 70% of the Project. Vital retains the right to sole fund a Project Pre Feasibility Study to earn 80%.



Vital is committed to growing its tenure in Burkina Faso to increase the potential for a commercial gold discovery, and in the past year submitted applications for two exploration licenses in its own right over tenements contiguous to the Doulnia and Kampala tenements which host the Doulnia joint venture project with Ampella.

The Mediga exploration tenement was granted to Vital during the Quarter and is being prepared for first pass exploration. The new tenement is located to the north of the Kampala tenement. Vital has also submitted an application over the adjacent Zeko exploration tenement, and reasonably expects this tenement to be granted in the 2011 calendar year.

Adding Mediga and Zeko to our exploration portfolio gives Vital greater exposure to the Birimian Greenstone terrain and in particular to the highly prospective Bole Shear Zone Markoye Fault Zone junction area.

At time of writing Vital had just appointed Layne Drilling Burkina Faso to provide RC drilling services at Kollo. The drilling is expected to begin before December and first results should be available in Q1 2012.

In addition Vital also appointed West African exploration and geophysics specialist consultants, SEMS Exploration to provide additional geological resources to assist the Company in the next phase of exploration.

Work programs are also planned for the Kampala, Mediga and Zeko tenements. Initial programs of outcrop mapping, rock chips, channel sampling and structural mapping are planned for these tenements and the results of this work will be used to delineate targets for follow up geochemical sampling and drilling.

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.

For further details, refer to the company's website, www.vitalmetals.com.au:

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Media:

Annette Ellis
Purple Communications
08 6314 6300
aellis@purplecom.com.au



Table 1: Gold Assays for Exploration Drilling at Kollo prospect reported on 3 August 2011

Hole ID	East UTM WGS84	North UTM WGS84	Depth (m)	Azimuth	Dip	From (m)	To (m)	Interval (m)	Grade (g/t Au)
KRC046	722,395	1,222,643	84	360	-60				NSI
KRC093	724,639	1,223,907	78	0	-60				NSI
KRC130	722,400	1,221,960	75	0	-60				NSI
KRC132	722,401	1,222,040	75	0	-60				NSI
KRC135	722,401	1,222,759	78	0	-60				NSI
KRC136	722,400	1,222,799	84	0	-60				NSI
KRC146	723,200	1,222,640	75	0	-60	8	12	4	1.95
KRC147	723,200	1,222,640	75	0	-60				NSI
KRC148	723,209	1,222,719	78	0	-60				NSI
KRC149	723,201	1,222,750	75	0	-60				NSI
KRC176	724,403	1,222,521	75	0	-60				NSI
KRC177	724,407	1,222,559	75	0	-60				NSI
KRC187	724,803	1,222,198	76	0	-60				NSI
KRC188	724,802	1,222,239	84	0	-60				NSI
KRC189	724,800	1,222,280	78	0	-60				NSI
KRC190	724,800	1,222,321	75	0	-60				NSI
KRC191	724,802	1,222,481	75	0	-60	72	75	3	0.78
KRC192	724,800	1,222,400	75	0	-60	24	32	8	0.43
KRC194	724,801	1,222,365	75	0	-60				NSI
KRC195	724,799	1,222,515	70	0	-60	32	36	4	0.45
KRC196	724,845	1,224,086	84	180	-60				NSI
KRC197	724,784	1,224,030	78	0	-60				NSI
KRC198	724,652	1,223,956	110	0	-60				NSI
KRC199	724,749	1,224,062	75	0	-60				NSI
KRC200	724,415	1,223,875	75	180	-60				NSI
KRC201	724,352	1,223,893	75	180	-60				NSI
KRC202	724,530	1,223,972	78	0	-60				NSI



Hole ID	East UTM WGS84	North UTM WGS84	Depth (m)	Azimuth	Dip	From (m)	To (m)	Interval (m)	Grade (g/t Au)
KRC203	724,675	1,223,991	108	0	-60				NSI
KRC204	724,413	1,224,043	89	180	-60	56	60	4	0.48
KRC205	724,580	1,224,056	78	180	-60	72	78	6	0.45
KRC206	724,295	1,223,861	75	180	-60				NSI
KRC207	724,756	1,223,905	80	0	-60				NSI
KRC208	724,842	1,223,918	84	0	-60				NSI
KRC209	724,561	1,223,882	110	0	-60	56	60	4	3.70
						76	80	4	0.41
KRC210	722,678	1,222,743	90	0	-60	8	52	44	6.39
						64	76	12	1.03
						88	90	2	0.58
KRC211	722,816	1,222,813	108	0	-60	16	28	12	0.54
						32	36	4	0.50
KRC212	722,406	1,222,607	78	0	-60	20	28	8	2.29
KRC213	722,656	1,222,719	130	0	-60				NSI
KRC214	722,997	1,223,857	84	0	-60				NSI
KRC215	722,952	1,224,127	90	180	-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 25 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.



Table 2: Gold Assays for Exploration Drilling at Kollo prospect reported 31 August 2011

Hole ID	East UTM WGS84	North UTM WGS84	Depth (m)	Azimuth	Dip	From (m)	To (m)	Interval (m)	Grade (g/t Au)
KRC096	724,800	1,224,000	132	0	-60	48	60	12	0.69
KRC151	723,199	1,223,123	130	0	-60				NSI
KRC153	723,203	1,223,190	130	0	-60	80	88	8	0.66
KRC216	723,276	1,223,112	130	0	-60				NSI
KRC217	723,260	1,223,215	130	0	-60				NSI
KRC218	722,546	1,222,701	130	0	-60				NSI
KRC219	723,988	1,223,074	130	0	-60				NSI
KRC220	724,095	1,223,057	130	0	-60				NSI
KRC221	724,888	1,224,101	130	0	-60				NSI
KRC222	724,266	1,223,802	130	180	-60				NSI
KRC223	724,707	1,223,566	112	0	-60				NSI
KRC224	724,102	1,223,232	140	0	-60	36	40	4	0.55

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 assays received since 05 August 2011 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.



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 September 2011

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(1,048) - - (440)	(1,048) - - (440)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	35	35
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	5	5
Net Operating Cash Flows	(1,448)	(1,448)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	- - (70)	- - (70)
1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets	800 30 -	800 30 -
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	(3)	(3)
Net investing cash flows	(759)	(759)
1.13 Total operating and investing cash flows (carried forward)	(691)	(691)

+ See chapter 19 for defined terms.

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Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(691)	(691)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
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)	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(691)	(691)
1.20	Cash at beginning of quarter/year to date	3,255	3,255
1.21	Exchange rate adjustments to item 1.20	131	131
1.22	Cash at end of quarter	2,695	2,695

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	128
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

--

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
3.2	Credit standby arrangements	Nil

+ See chapter 19 for defined terms.

Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	600
4.2	Development	-
4.3	Production	-
4.4	Administration	400
Total		1,000

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	585	677
5.2	Deposits at call	2,110	2,578
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)		2,695	3,255

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	EPM 18171 Mediga, Burkina Faso	Nil Nil	100% 100%

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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 Preference securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	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 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	2,000,000		<i>Exercise price</i> 20 cents	<i>Expiry date</i> 17/11/2011
	3,500,000		9 cents	30/09/2013
7.8 Issued during quarter	3,500,000		9 cents	30/09/2013
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

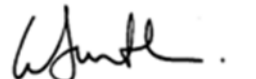
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Compliance statement

- 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: 27 October 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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+ See chapter 19 for defined terms.

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