

INDEPENDENT REVIEW CONFIRMS LOWER WATERSHED CAPEX COMPARED TO 2014 DFS

HIGHLIGHTS

- Corporate Mining Resources (CMR) has completed an independent capital cost review of Vital's Watershed Tungsten Project in North Queensland
- Review considered proposed modifications to the plant design, layout, site access, power supply, accommodation and mining capital compared to the 2014 DFS
- Review obtained updated quotations from local and EPC contractors
- Updated Project Capex estimate of A\$105.8M compared to A\$172M in the 2014 DFS
- Likely commensurate increase in Project NPV and eventual bankability of Watershed given likely higher debt coverage ratios and accelerated payback
- Provides Vital confidence in progressing negotiations with non-equity funding providers
- As potential shortages in tungsten concentrates becomes evident, increasing interest from industry participants and major consumers

Vital Metals Limited (ASX: VML) is pleased to announce the results of an independent review of the capital costs for its Watershed Tungsten Project in Far North Queensland, which has improved project economics.

Vital commissioned Corporate Mining Resources (CMR) to complete an independent review and update of the estimated capital costs for the project. This work was completed in conjunction with Vital's non-equity advisor Proviso Corporate (Proviso) and forms part of the Information Memorandum being developed by Proviso to provide to potential non-equity funders.

A Definitive Feasibility Study (DFS) for Watershed was completed by Sedgman Limited in 2014. Vital has regularly internally reviewed costs since then and decided an independent estimate was a pre-requisite for discussions with non-equity funders.

CMR's cost estimate considered proposed modifications to the plant design, layout, site access, power, accommodation and mining capital that Vital and its consultants have developed since completion of the 2014 DFS.

CMR estimated the project Capex to be A\$105.8M, a 38.5% reduction of A\$63M from the 2014 DFS. This estimate is supported by two EPC contractors, who confirmed the process plant cost estimate based on current exchange rates, unit costs availability of suppliers and contractor work book scopes, and the plant construction market.

With the updated capital cost estimate complete, Vital's next steps will be to update the resource estimate to JORC 2012, which will flow into a revised and optimised mining schedule in parallel with discussions continuing with potential off-takers. This will allow Proviso to finalise the Information Memorandum which will be provided to potential funding sources.

Watershed Tungsten Project

Vitals' 100%-owned Watershed Tungsten Project is located 130km north of Cairns in Far North Queensland and is well placed to provide tungsten concentrates that are necessary to make the metals and composites that underpin modern industry.

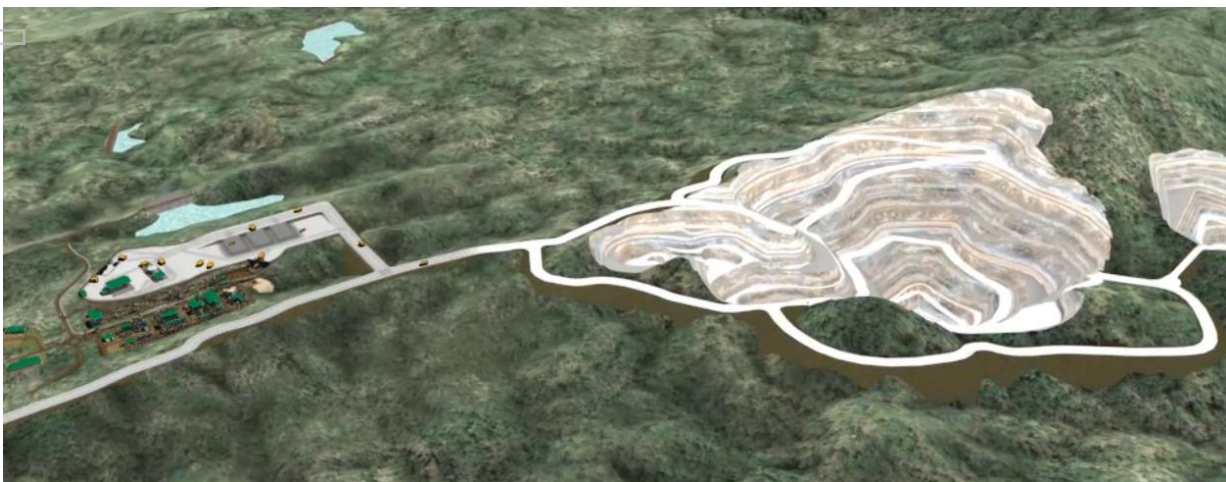
Tungsten metals and composites have outstanding properties; being very hard, very tough, heat-resistant and are indispensable in the following applications:

- Automotive Industry
- Industrial Engineering
- Mining & Road Construction
- Aviation & Space
- Energy Oil & Gas
- Health
- Agriculture
- Defence Industries.

Watershed is a development-ready opportunity that is permitted with granted Mining Leases and an Environmental Authority for an open pit development. All landowner and Indigenous agreements are in place, and it is in a mining friendly Tier 1 jurisdiction.



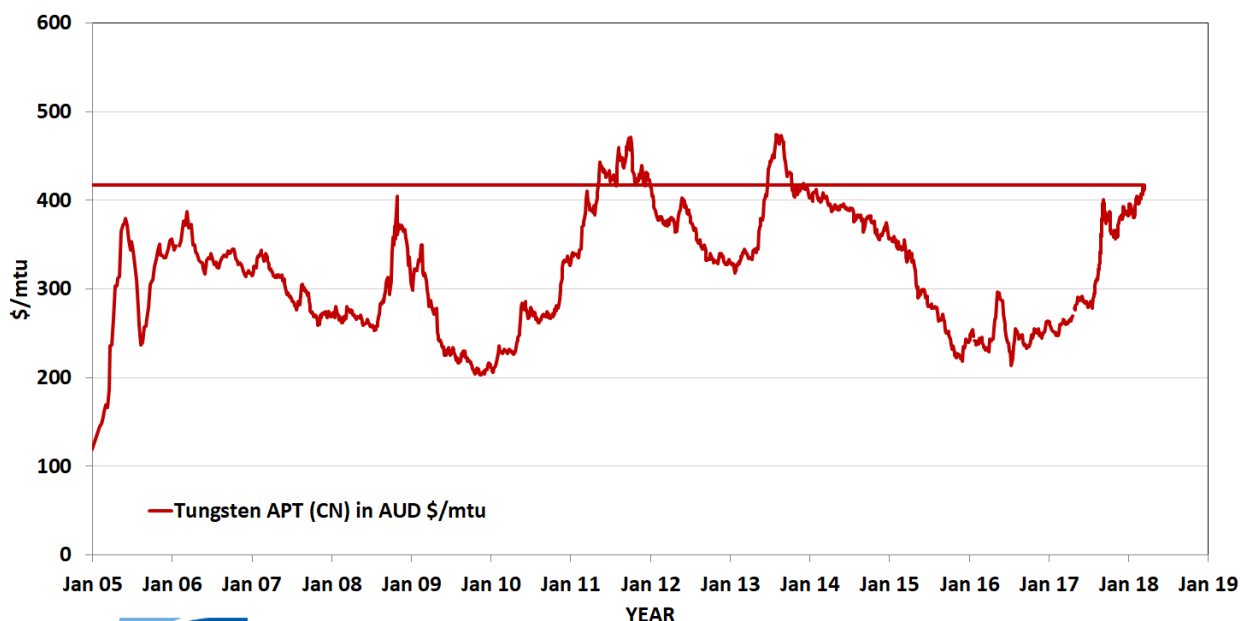
View showing 3D engineering design of proposed Watershed processing plant and site layout.



Tungsten Market

Tungsten prices remain strong due to increased end user demand and reduced supply. Supply of concentrate remains tight and market forecasters expect this to remain following the directive by Chinese authorities to the domestic mineral sector that regulators will enforce environmental and safety regulations. This has resulted in the permanent closure of polluting mines and refiners.

Tungsten ammonium para tungstate (APT) prices have consolidated at near-decade highs, being over A\$400/mtu at time of writing.



Source: 

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Competent Person's Statement

The information that refers to Mineral Resources in this announcement was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since last reported.

The information in this report that relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Mark Strizek, a Competent Person who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Strizek is a full time employee of the Company. Mr Strizek has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 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 his information in the form and context in which it appears.

The information in this report that relates to Mineral Resources for the Watershed Deposit is based on information evaluated by Mr Simon Tear who is a Member of The Australasian Institute of Mining and Metallurgy (Maksim) and who has sufficient experience 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 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Tear is a Director of H&S Consultants Pty Ltd and he consents to the inclusion of the estimates in the report of the Mineral Resource in the form and context in which they appear.

This Ore Reserves statement has been compiled in accordance with the guidelines defined in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code – 2012 Edition). The Ore Reserves have been compiled by Mr Steve Craig of Orology Group Pty Ltd, who is a Fellow of

Australasian Institute of Mining and Metallurgy. Mr Craig has had sufficient experience in Ore Reserve estimation relevant to the style of mineralisation and type of deposit under consideration to qualify as Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Mineral Resources and Ore Reserves". Mr Craig consents to the inclusion in the announcement of the matters based on his information in the form and context in which it appears.

Forward looking statements

Certain written statements contained or incorporated by reference in this report, including information as to the future financial or operating performance of the Company and its projects, constitute forward-looking statements. All statements, other than statements of historical fact, are forward-looking statements. The words "believe", "expect", "anticipate", "contemplate", "target", "plan", "intend", "continue", "budget", "estimate", "may", "will", "schedule" and similar expressions identify forward-looking statements.

Forward-looking statements include, among other things, statements regarding targets, estimates and assumptions in respect of tungsten, gold or other metal production and prices, operating costs and results, capital expenditures, mineral reserves and mineral resources and anticipated grades and recovery rates. Forward-looking statements are necessarily based upon a number of estimates and assumptions related to future business, economic, market, political, social and other conditions that, while considered reasonable by the Company, are inherently subject to significant uncertainties and contingencies. Many known and unknown factors could cause actual events or results to differ materially from estimated or anticipated events or results reflected in such forward-looking statements.

Such factors include, but are not limited to: competition; mineral prices; ability to meet additional funding requirements; exploration, development and operating risks; uninsurable risks; uncertainties inherent in ore reserve and resource estimates; dependence on third party smelting facilities; factors associated with foreign operations and related regulatory risks; environmental regulation and liability; currency risks; effects of inflation on results of operations; factors relating to title to properties; native title and aboriginal heritage issues; dependence on key personnel; and share price volatility and also include unanticipated and unusual events, many of which are beyond the Company's ability to control or predict.

For further information, please see the Company's most recent annual financial statement, a copy of which can be obtained from the Company on request or at the Company's website: www.vitalmetals.com.au. The Company disclaims any intent or obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise. All forward-looking statements made in this presentation are qualified by the foregoing cautionary statements. Investors are cautioned that forward-looking statements are not guarantees of future performance and, accordingly, not to put undue reliance on such statements.

Cautionary Statement

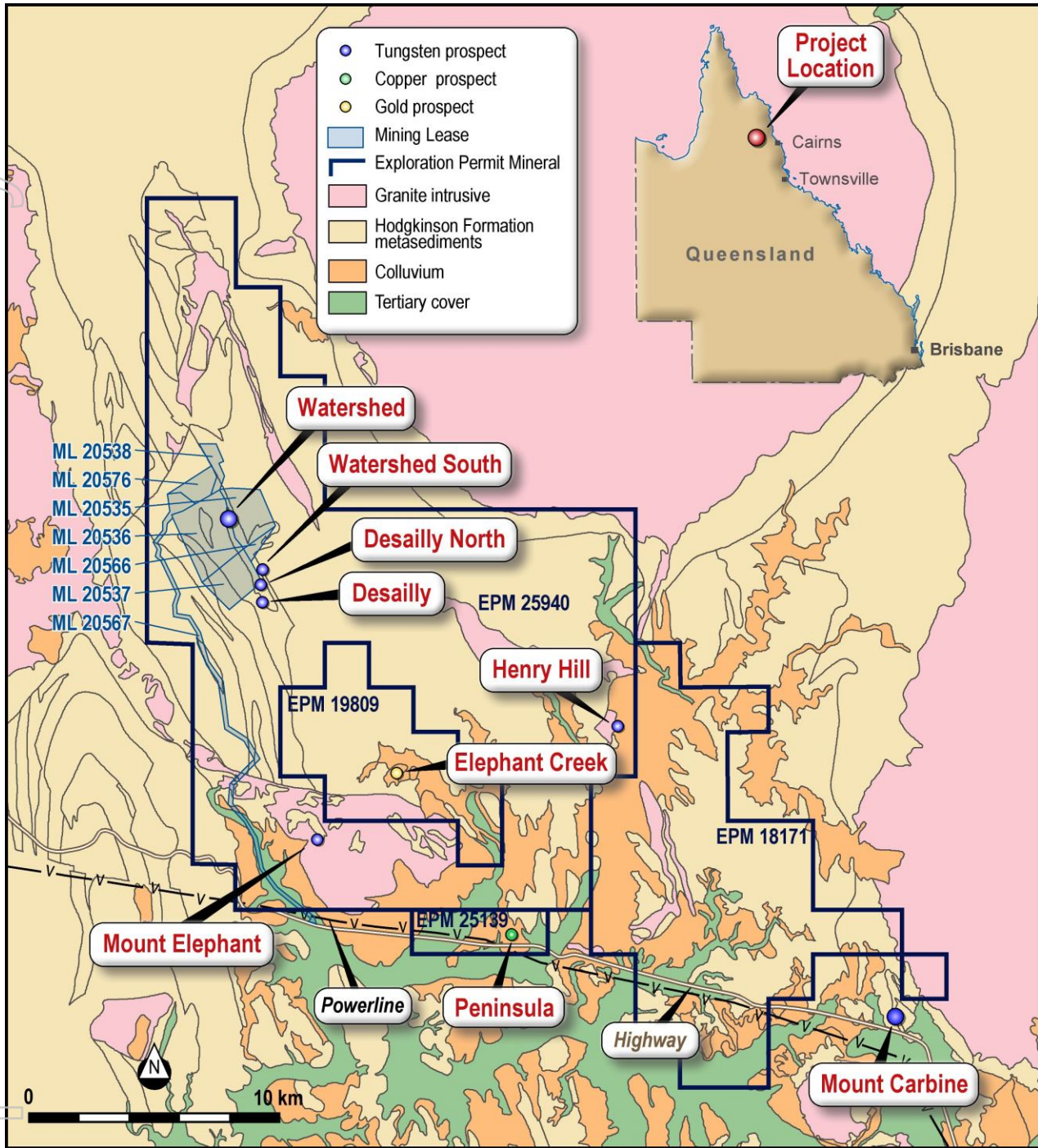
The Definitive Feasibility Study (DFS) referred to in this report is based on a Proved and Probable Ore Reserve derived from a Measured and Indicated Mineral Resource, plus a small proportion of mining inventory, which comprises material that is currently classified as Inferred Mineral Resource. There is a low level of geological confidence associated with Inferred Mineral Resources and there is no certainty that further exploration work will result in the determination of Indicated Mineral Resources or that the production target itself will be realised.

The Company advises that the Proved and Probable Ore Reserve provides 93% of the total tonnage and 93% of the total WO3 metal underpinning the forecast production target and financial projections, and that the additional life of mine plan material comprises less than 7% of the total tonnage and WO3 metal. Furthermore, in the first five years of production, 95% of the material planned to be processed is based on Proved and Probable Ore Reserves.

As such, the dependence of the outcomes of the DFS and the guidance provided in this announcement on the lower confidence Inferred Mineral Resource material contained in the life of mine plan is minimal. The Company has concluded that it has a reasonable basis for providing the forward looking statements included in this report.

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Figure 1: Project Location Plan



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Watershed Mineral Resources	Tonnage Mt	WO ₃ %
Measured	9.5	0.16
Indicated	28.4	0.14
Sub Total: Measured and Indicated	37.8	0.15
Inferred	11.5	0.15
Total: Measured, Indicated and Inferred	49.3	0.14

Table 1: Watershed Mineral Resources¹

Watershed Ore Reserves	Tonnage Mt	WO ₃ %
Proved	6.4	0.16
Probable	15	0.14
Total: Proved and Probable	21.3	0.15

Table 2: Watershed Ore Reserves²

Name	Tenement	Elements of Interest	Tonnage Range (kt)	Grade Range	Comments
Watershed including Deeps	ML20536	W	10,500 – 14,000	0.14 - 0.25%	These Exploration Targets are conceptual in nature, and there has been insufficient exploration to define a Mineral Resource. It is uncertain if further exploration will result in the estimation of a Mineral Resource.
Watershed South	MDL127	W	830 - 1,000	0.06 - 0.15%	
Desailly North	MDL127	W	830 - 1,000	0.06 - 0.15%	
Desailly	MDL127	W	1,150 – 1,500	0.06 - 0.15%	
Mt Elephant	EPM 25940	W, Sn	1,000 - 3,000	0.06 - 0.15%	
Slaty Range	EPM 25102	W, Sn	35,000 – 60,000	0.10-0.18%	
Exploration Potential exclusive of current Mineral Resource		W	49,000 – 80,000	0.10-0.19%	

Table 3: Watershed Tungsten Project Exploration Targets

¹ Watershed Mineral Resources first reported in ASX release 30 July 2012.

² Watershed Ore Reserves first reported in ASX release 17 September 2014.

Watershed Mineral Resources are inclusive of Ore Reserves.

Watershed Mineral Resources and Ore Reserves reported at a cut-off grade of 0.05% WO₃.

The Company confirms that it is not aware of any new information or data that materially affects the information included in the previous announcements.

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ILUA	Agreement with the Western Yalanji people for development of the open pit operation secured and registered with the National Native Title Tribunal
Environmental Approval	Open pit operation permitted by the Department of Environment and Heritage Protection on 3rd September 2013
Mining Lease	Seven Mining Leases for a total of 1,904 hectares were granted on the 1 st December 2013 for a period of 20 years by the Department of Natural Resources and Mines
Mineral Resource	Measured, Indicated and Inferred Mineral Resources. At a cut-off grade of 0.05% WO ₃ the Watershed deposit contains Mineral Resources of 49.32Mt at 0.14% WO ₃ for 70,400 tonnes of WO ₃ ³
Mineral Reserves	Proved and Probable Ore Reserve derived from Measured and Indicated Mineral Resources. Total in-ground ore inventory within final design pits is 21.3 Mt at an average WO ₃ grade of 0.15% using a cut-off grade of 0.05% WO ₃ and is inclusive of a 95% mining recovery ⁴
Clean Scheelite Concentrate	Flowsheet has demonstrated that a high-grade >65% WO ₃ scheelite concentrate can be produced. Concentrate is extremely low in penalty elements: <ul style="list-style-type: none"> • No Arsenic • No Molybdenum • No Uranium • No Thorium
Definitive Feasibility Study	DFS considered 10-year open pit operation processing 2.5Mtpa with only ~40% of resources extracted. Significant near-mine exploration potential ⁵ A program of continuous improvement since the completion of the DFS has positioned the project as arguably the best development ready tungsten project located in a Tier 1 mining jurisdiction
Exploration Pipeline	World-class pipeline of tungsten exploration prospects to drive growth ⁶

Table 4: Watershed Tungsten Project Milestones

³ Mineral Resources initially reported ASX release 30 June 2012. Mineral Resources classified using JORC 2004 guidelines.

⁴ Watershed Ore Reserves first reported in ASX release 17 September 2014. Mineral Reserves classified using JORC 2012 guidelines.

⁵ Key finding Watershed DFS first reported in ASX release 17 September 2014.

⁶ Exploration Targets reported in ASX release 13 October 2014.

Watershed Mineral Resources and Ore Reserves reported at a cut-off grade of 0.05% WO₃.

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ABOUT VITAL METALS

Vital Metals Limited (**ASX:VML**) is an explorer and developer holding a portfolio of technology metals, gold and base metals. Our projects range from shovel ready development to advanced exploration across a range of jurisdictions in Australia, West Africa and Germany.

Watershed Tungsten Project – Queensland

The Watershed scheelite (calcium tungstate) Project, in far north Queensland, 150 kilometres north-west of Cairns, is the Company's flagship venture. The Watershed Tungsten Project is a development-ready project that has a completed Definitive Feasibility Study (DFS), is fully permitted and has all landowner and Indigenous agreements in place.

Nahouri Gold Project – Burkina Faso

The Nahouri Gold Project (100% Vital) is located in southern Burkina Faso. The Project is made up of three contiguous permits; the Doulnia, Kampala and Zeko exploration permits. The Project is located in highly prospective Birimian Greenstone terrain with 400 sq. km of contiguous tenements lying on the trend of the Markoye Fault Corridor and hosting the Kollo Gold Project and Boungou South Gold Prospect.

Bouli Gold Project – Niger

The Bouli Gold Project is a portfolio of three highly prospective gold permits in Niger, West Africa covering 4,289km² held by a subsidiary of SUMMA (a private Turkish company). Vital is working to earn interest in the project via the funding of an exploration work program.

Aue Technology Metals Project – Germany

The Aue Technology Metals Project (100% Vital) is located in the western Erzgebirge area of the German state of Saxony. The permit, comprising an area of 78 sq. km is located in the heart of one of Europe's most famous mining regions, being surrounded by several world class mineral fields. Historical mining and intensive exploration work carried out between from the 1940's and 1980's showed high prospectivity of the Aue permit area for tungsten, tin, uranium, cobalt and silver mineralisation.

Vital Metals Limited

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Board & Management

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Chairman

Mark Strizek
CEO and Managing Director

Peter Cordin
Non-Executive Director

Andrew Simpson
Non-Executive Director

Francis Harper
Non-Executive Director

Matt Foy
Company Secretary

Capital Structure

1,320 million shares

231 million unlisted options