

VITAL METALS LTD
ACN 112 032 596

PROSPECTUS

For the issue of up to 40 million New Shares at an issue price of \$0.06 each to raise up to \$2,400,000 before
issue costs

Paterson Securities Limited
Lead Manager

Important Notice

This document is important and should be read in its entirety. If after reading this Prospectus you have any questions about the securities being offered under this Prospectus or any other matter, then you should consult your stockbroker, accountant or other professional adviser.

The securities offered by this Prospectus should be considered speculative.

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SUMMARY OF IMPORTANT DATES

Lodgement Date of the Prospectus with ASIC and ASX	22 January 2010
Opening Date for acceptances	27 January 2010
Issue of Tranche 1 New Shares	28 January 2010
Trading in Tranche 1 New Shares expected to commence	29 January 2010
Date of shareholder meeting	2 March 2010
Closing date for acceptances	4 March 2010
Issue of Tranche 2 New Shares	5 March 2010
Trading of New Shares expected to commence	8 March 2010

This timetable is indicative only and subject to change. The Company reserves the right to vary the above dates.

IMPORTANT NOTES

This Prospectus is dated 22 January 2010 and was lodged with ASIC on that date. ASIC and ASX take no responsibility for the contents of this Prospectus.

No New Shares will be allotted or issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

Applications for Shares offered pursuant to this Prospectus can only be submitted on an original Application Form which accompanies this Prospectus.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and therefore persons into whose possession this document comes should seek advice on and observe any such restrictions. Any failure to comply with these restrictions constitutes a violation of those laws. This Prospectus does not constitute an offer of Shares in any jurisdiction where, or to any person whom, it would be unlawful to issue in this Prospectus.

This Prospectus is important and should be read in its entirety prior to making an investment decision. If you do not fully understand this Prospectus or are in any doubt as to how to deal with it, you should consult your professional adviser. In particular, it is important that you consider the risk factors (see section 6 of this Prospectus) that could affect the performance of the Company before making an investment decision.

No person is authorised to give any information or to make any representation in connection with the Issue described in this Prospectus which is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

In making representations in this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

Some words and expressions used in this Prospectus have defined meanings which are explained in the Glossary in section 9.

ELECTRONIC PROSPECTUS

A copy of the Prospectus can be downloaded from the website of the Company at www.vitalmetals.com.au, or the website of ASX at www.asx.com.au. Any person accessing the electronic version of the Prospectus for the purposes of making an investment in the Company must be an Australian resident and must only access the Prospectus from within Australia.

The Corporations Act prohibits any person passing onto another person the Application Form unless it is attached to a hard copy of the Prospectus or it accompanies the complete and unaltered version of the Prospectus. Any person may obtain a hard copy of the Prospectus free of charge by contacting the Company.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the Application Form it was not provided together with the electronic Prospectus and any relevant supplementary or replacement Prospectus.

CORPORATE DIRECTORY**Directors**

David Macoboy
(Director and Chairman)

William Ryan
(Non-Executive Director)

Andrew Simpson
(Non-Executive Director)

Paul Benson
(Non-Executive Director)

Peter Cordin
(Non-Executive Director)

Chief Executive Officer
Howard Carr

Company Secretary
Ian Hobson

Auditors*

KPMG
Level 8, 235 St George's Terrace
PERTH WA 6000

Registered and Principal Office

Level 1, 335 Hay Street
SUBIACO WA 6008
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Web Address

www.vitalmetals.com.au

ASX Code VML

Share Registry*

Security Transfer Registrars Pty Ltd
770 Canning Hwy
APPLECROSS WA 6153

Solicitors

Allion Legal
Level 2, Spinifex House
50 Kings Park Road
West Perth WA 6005

Lead Manager

Patersons Securities Limited
Level 23, Exchange Plaza
2 The Esplanade
Perth WA 6000

* *This entity has not been involved in the preparation of this Prospectus and has not consented to being named in this Prospectus. Its name is included for information purposes only.*

2 CHAIRMAN'S LETTER

Dear Investor,

On behalf of the Directors of Vital Metals Limited, it is my pleasure to present this short form Prospectus for the Company's share placement and invite you to join, or increase your presence, on our share register.

Vital was incorporated in Australia with the objective of becoming an Australian tungsten producer as quickly as possible. To that end the company has spent \$18m taking our flagship "Watershed" tungsten deposit in Far North Queensland to pre-feasibility study stage, and further exploring our Mt Mulgine and Mt Alexander tungsten projects in WA.

The Watershed deposit has a JORC-compliant Indicated Resource of 15.1Mt at a grade of 0.46% WO₃ for 69300 tonnes of contained WO₃. The deposit requires a recovery of around 25 per cent in the price of tungsten to be economic, and the Company is confident that with improving global economic circumstances, tungsten prices will rise, Watershed will become a performing asset and our tungsten projects will be advanced towards development.

In the meantime, Vital is targeting projects with the potential for low cost extraction of commodities with a more attractive short term price-cycle profile, to maximize shareholder value. After a global review, Vital has focused on the Birrimian gold deposits of West Africa to implement its new strategy. In this light Vital has:

- signed a Farm-in agreement with Ampella Mining Limited covering the Doulnia gold project in southern Burkina Faso;
- appointed myself, David Macoboy, as Chairman; and
- appointed Dr Howard Carr as CEO.

I have a background in international finance and fund raising whilst Dr Carr is an experienced precious base and industrial minerals explorer, and Project Manager and Promoter.

The new Project and skill set available to the Company adds to our already strong board and management team and our significant tungsten assets. I believe we are now well positioned to take advantage of both short and medium term market opportunities.

To give you some background on Burkina Faso, it was a French Protectorate until 1960. Following a referendum and the declaration of a democratic, unitarian and secular constitution, multi-party elections commenced in 1992. The democratically elected President appoints the Prime Minister with the consent of the National Assembly. The Prime Minister is the head of the Government.

The legal system is based on the French Civil and Customary Law. The Council of the Supreme Magistrate ensures the independence of judges and is headed by the President of the country. The modern French-style judicial system is overseen by the Appeal Court, Council of State, Council of Audit and Constitution Council.

The State of Burkina Faso owns the title to all mineral rights. The 2003 Mining Code (modelled on the Western Australian Mining Act) provides that, prior to the issuance of an Exploration Permit, the State and the Permit applicant must sign a Mining Agreement which states the rights and obligations of the parties, including the State's 10 per cent free carried interest in the exploitation company.

An Exploration Permit conveys the exclusive right to explore for the Specific Commodities for which the Permit was granted. Exploration Permits are transferrable. The holder of an Exploration Permit has the exclusive right to obtain an Exploitation Permit if the holder outlines a mineable reserve and has complied

with the Mining Code. An Exploitation Permit conveys the exclusive right to extract, treat and dispose of the Specific Commodities for which the Permit was granted; conditional upon the addressing of relevant environmental impact and rehabilitation issues.

The directors of Vital Metals consider Burkina Faso to be a stable, pro-mining, and under-explored country, among the most attractive for gold exploration in West Africa.

The Doulnia Project, comprising the Doulnia and Campala Exploration Permits (“sub-project areas”), has for most of its history been explored for zinc and other base metals (copper, lead). In 2008 Ampella Mining recognized the gold potential of the project, secured more adjacent Birrimian Greenstone terrain and focused exploration on gold.

Vital aims to rapidly advance Doulnia by drill testing targets identified by previous explorers. Further, Vital has reviewed the project’s existing datasets and developed a number of new gold target areas based upon its highly prospective geological, structural and geochemical characteristics. Vital will implement an intensive grassroots exploration programme to assess its new exploration concept and generate new targets for drilling in 2010.

Vital has a strong relationship with its Farm In partner Ampella Mining, who provide us with access to their operational systems. Vital aims to take advantage of the asset and logistical head-start we have secured to emulate the recent success of Ampella and other Australian gold exploration companies in Burkina Faso.

Once again, on behalf of the Directors of Vital Metals, I invite you to subscribe for shares in the Company and look forward to your successful participation in the Company’s future.

David Macoboy

Chairman

3 THE OFFER

3.1 Details of the Offer

(a) Offer Details

Pursuant to this Prospectus, the Company is inviting investors to apply for a total of 40 million New Shares and at an issue price of \$0.06 per New Share to raise up to \$2,400,000 (before costs).

The Issue is not underwritten.

(b) Rights and Liabilities Attaching to the New Shares

The New Shares will rank equally in all respects with Existing Shares.

A summary of the rights and liabilities attaching to the New Shares is set out in section 7.1 of this Prospectus.

3.2 Opening and Closing Dates

The Opening Date of the issue will be 27 January 2010 at 9.00am WST and the Closing Date will be 4 March 2010 at 5.00pm WST. The Directors reserve the right to close the Issue early or extend the Closing Date (as the case may be), should it be considered by them necessary to do so.

3.3 Applications for New Shares

Applications for New Shares must be made using the Application Form accompanying this Prospectus.

Payment for the New Shares must be made in full at the issue price of 6 cents per Share. Completed Application Forms and accompanying payment must reach the Company's share registry no later than 5.00pm WST on the Closing Date. Details in this regard are set out below:

By hand:	By post:
Security Transfers Registrars Pty Ltd Alexandrea House Suite 1, 770 Canning Highway APPLECROSS WA 6153	Security Transfers Registrars Pty Ltd PO Box 535 APPLECROSS WA 6953

3.4 Minimum Subscription

The minimum subscription for the Issue is \$1,200,000. See section 3.6 for more details.

3.5 CHESS

The Company participates in the Clearing House Electronic Subregister System (CHESS). ASTC, a wholly owned subsidiary of ASX, operates CHESS in accordance with the ASX Listing Rules and the ASTC Settlement Rules.

Under CHESS, applicants will not receive a certificate but will receive a statement of their holding of New Shares.

If you are broker sponsored, ASTC will send you a CHESS statement.

The CHESSE statement will set out the number of New Shares issued under this Prospectus, provide details of your holder identification number and give the participation identification number of the sponsor.

If you are registered on the issuer sponsored sub register, your statement will be dispatched by the Company's share registrar and will contain the number of New Shares issued to you under this Prospectus and your security holder reference number.

A CHESSE statement or issuer sponsored statement will routinely be sent to Shareholders at the end of any calendar month during which the balance of their shareholding changes. Shareholders may request a statement at any other time, however, a charge may be made for additional statements.

3.6 Allotment

It is the intention of the Directors to issue the New Shares in two separate tranches:

- (a) Subject to ascertainment of the Minimum Subscription, the Directors will issue approximately 20 million New Shares under the Offer after lodgement of this Prospectus at ASIC ("**First Tranche**"); and
- (b) the balance of the New Shares will be issued upon Shareholder approval for the issue and allotment of the balance of the New Shares the subject of the Offer being obtained at a Shareholder meeting ("**Second Tranche**").

The Company plans to convene a meeting of Shareholders to occur on 2 March 2010 for the approval of the issue of the Second Tranche New Shares. Once the Shareholder meeting has occurred, the Directors intend to close the Offer and issue the remainder of the New Shares the subject of the Offer as soon as is practicable.

Should approval of the Shareholders in the Company not be obtained (or the meeting is cancelled), the Company will have allotted the maximum number of New Shares under the First Tranche it is able to under the Offer without contravening ASX Listing Rule 7.1 but only if the Minimum Subscription is reached.

Application monies will be held in trust for applicants until allotment of the New Shares. Allotment of First Tranche New Shares will take place as soon as practicable after the opening date. Allotment of Second Tranche New Shares will take place as soon as practicable after the Closing Date. Application moneys will be held in a separate subscription account until allotment. This account will be established and kept by the Company in trust for each applicant. Any interest earned on the application moneys will be for the benefit of the Company and will be retained by the Company irrespective of whether allotment takes place and each applicant waives the right to claim any interest.

The Directors will determine the allottees of all the New Shares. The Directors reserve the right to reject any application or to allocate any applicant fewer New Shares than the number applied for. Potential investors should not apply for New Shares offered pursuant to this Prospectus unless instructed to do so by the Company.

Where the number of New Shares allotted is less than the number applied for, the surplus moneys will be returned by cheque as soon as practicable after the Closing Date. Where no allotment is made, the amount tendered on application will be returned in full by cheque as soon as practicable after the Closing Date. Interest will not be paid on moneys refunded.

3.7 ASX Quotation

Application for admission of the New Shares to official quotation on ASX will be made within 7 days after the date of this Prospectus.

If the New Shares are not admitted to official quotation within 3 months after the date of this Prospectus, the Company will not allot or issue any New Shares and all application monies received pursuant to this Prospectus will be repaid as soon as practicable, without interest.

The fact that ASX may agree to grant official quotation of the New Shares is not to be taken in any way as an indication of the merits of the Company or the New Shares.

3.8 Issue Outside Australia and New Zealand

This Prospectus does not constitute an offer of securities in any jurisdiction where, or to any person to whom, it would not be lawful to issue this Prospectus or make the Issue. Residents of countries outside Australia and New Zealand should consult their professional adviser as to whether any government or other consents are required, or whether any formalities need to be observed should they wish to make an application for New Shares on the basis of this Prospectus. No action has been taken to register or qualify the New Shares or the Issue or otherwise to permit an offering of the New Shares in any jurisdiction outside Australia and New Zealand.

3.9 Market Prices of Existing Shares on ASX

The highest and lowest market sale price of the Existing Shares (which are on the same terms and conditions as the New Shares offered under this Prospectus) during the 3 months immediately preceding the lodgement of this Prospectus with ASIC and the last market sale price on the date before the lodgement date of this Prospectus are set out below.

3 month high	3 month low	Last market sale price
\$0.12 on 04/11/2009 and 16/12/2009	\$0.07 on 14/12/2009 and 15/12/2009	\$0.08 on 21/01/2010

3.10 Taxation Implications

The Directors do not consider that it is appropriate to give potential applicants advice regarding the taxation consequences of applying for New Shares under this Prospectus, as it is not possible to provide a comprehensive summary of the possible taxation positions of potential applicants. The Company, its advisers and officers, do not accept any responsibility or liability for any taxation consequences to potential applicants in the Issue. Potential applicants should, therefore, consult their own tax adviser in connection with the taxation implications of the Issue.

3.11 Privacy Act

If you complete an Application Form for New Shares, you will be providing personal information to the Company. The Company collects, holds and will use that information to assess your application, service your needs as a Shareholder, facilitate corporate communications to you and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company's share registry.

You can access, correct and update the personal information we hold about you. Please contact the Company's share registry to do so at the contact addresses set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988 (Cth) (as amended), the Corporations Act and certain rules of ASX. You should note that if you do not provide the information required on the Application Form, the Company may not be able to accept or process your acceptance.

3.12 Enquiries

Any question concerning the Issue should be directed to Ian Hobson, the Company Secretary on +61 8 9388 7742.

4 PURPOSE OF THE ISSUE

The Company proposes to raise \$2,400,000, before deducting the expenses of the Issue.

The purpose of the issue is to fund the exploration program at Burkina Faso pursuant to the farm-in agreement with Ampella Mining Limited, general working capital, the costs of the issue and providing the maximum funds are raised, the repayment of the convertible note that was issued to Aragon Resources Limited on or about 3 July 2009. If Aragon Resources Limited participates in the issue of New Shares in the Second Tranche, any funds raised will be used by the Company to repay the convertible note. The effect of Aragon's participation (if any) in the Issue will therefore be neutral. The use of funds is summarized as follows:

	Assuming minimum \$1.2m raised	Assuming maximum \$2.4m raised
Proposed funds raised	1,200,000	2,400,000
Costs of the issue:		
Brokerage fees	(50,000)	(120,000)
Legal fees	(25,000)	(25,000)
ASIC / ASX fees	(5,000)	(15,000)
Burkina Faso:		
Evaluation	(300,000)	(300,000)
Exploration	(450,000)	(900,000)
Repay convertible note	-	(500,000)
Working capital	(380,000)	(540,000)

Actual expenditure on the projects may vary depending on the results achieved. In the event that circumstances change or other opportunities arise, the Directors reserve the right to vary the proposed use of funds to maximise the benefits to Shareholders.

5 EFFECT OF THE OFFER ON THE COMPANY

5.1 Principal Effect

The principal effect of the Offer on the Company, assuming the Offer is fully subscribed and no existing Options are exercised prior to the Closing Date, will be that:

- (a) cash reserves and contributed equity of the Company will initially increase by \$2,400,000 before deducting expenses of the Issue; and
- (b) the number of fully paid ordinary Shares on issue will increase from 133,819,777 to 173,819,777.

5.2 Capital Structure

The proposed capital structure of the Company following the completion of the Issue (assuming the Offer is fully subscribed) is summarised below.

Details	Number of Shares
Ordinary shares on issue at the date of this Prospectus	133,819,777
Fully paid ordinary shares issued pursuant to the Issue	40,000,000
Total fully paid ordinary shares on issue	173,819,777

Notes:

- ⁽¹⁾ The capital structure assumes no existing Options are exercised.

The Company currently has the follow Options on issue:

Number	Exercise price	Expiry date
2,000,000	\$0.40	30 June 2011
1,400,000	\$0.12	20 February 2011
2,000,000	\$0.20	17 November 2011

5.3 Statement of financial position

The unaudited statement of financial position as at 30 November 2009 and unaudited pro forma statement of financial position (assuming the maximum raising of \$2.4m) as at the same date shown in the table overleaf have been prepared on the basis of the accounting policies normally adopted by the Company and reflect the changes to its financial position.

	Unaudited Consolidated	Notes	Consolidated Proforma
CURRENT ASSETS			
Cash and cash equivalents	733,393	1	2,673,393
Trade and other receivables	98,170		98,170
TOTAL CURRENT ASSETS	831,563		2,771,563
NON CURRENT ASSETS			
Property, plant and equipment	521,913		521,913
Investment in Zinco	10,000		10,000
Exploration, evaluation and development expenditure	23,787,293		23,787,293
Accumulated exploration impairment	(15,846,395)		(15,846,395)
TOTAL NON-CURRENT ASSETS	8,472,811		8,472,811
TOTAL ASSETS	9,304,374		11,244,374
CURRENT LIABILITIES			
Trade and other payables	198,966		198,966
Interest bearing liabilities	-		-
Provisions	21,982		21,982
TOTAL CURRENT LIABILITIES	220,948		220,948
NON-CURRENT LIABILITIES			
Interest bearing liabilities	500,000		500,000
TOTAL NON-CURRENT LIABILITIES	500,000		500,000
TOTAL LIABILITIES	720,948		720,948
NET ASSETS	8,583,426		10,523,426
EQUITY			
Issued capital	30,593,348	2	32,833,348
Reserves	168,075		168,075
Retained earnings / (Accumulated losses)	(22,177,997)		(22,477,997)
TOTAL EQUITY	8,583,426		10,523,426

	<u>\$</u>
Note 1. Cash	
Balance at 30 November 2009	733,393
Funds raised pursuant to Offer (maximum)	2,400,000
Less: Estimated operating costs to close of the offer	(300,000)
Less: Costs of the issue	(160,000)
Closing Balance	<u>2,673,393</u>
Note 2. Contributed equity	
Issued capital at 30 November 2009	30,593,348
Issue pursuant to this Prospectus	2,400,000
Less: Costs of issue	(160,000)
Closing Balance	<u>32,833,348</u>

Assumptions for Unaudited Pro forma Consolidated Statements of Financial Position

The unaudited pro forma consolidated Statement of Financial Position has been prepared on the basis that there have been no material movements in the assets and liabilities of the Company between 30 November 2009 and the close of Offer other than normal operating costs of approximately \$300,000.

6 INVESTMENT RISKS

6.1 Overview

The New Shares offered under this Prospectus should be regarded as speculative due to the inherent risks associated with the Company's activities. Neither the Company nor the Directors warrant the future performance of the Company or any investment made pursuant to this Prospectus. An investment in the New Shares offered by this Prospectus should be considered speculative.

The Directors recommend that Shareholders and potential investors examine the contents of this document together with previous ASX disclosures and public documents of the Company, including its most recent audited financial statements, and rely on advice of their professional advisers before deciding whether or not to apply for New Shares pursuant to this document.

The following summary, which is not exhaustive, represents some of the major risk factors which potential investors need to be aware of.

6.2 Economic Risks

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's exploration, development and future production activities, as well as on its ability to fund those activities.

6.3 Market conditions

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities and in particular, resources stocks. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

6.4 Joint Venture Parties, Agents and Contractors

The Directors are unable to predict the risk of financial failure or default by a participant in any joint venture to which the Company is or may become a party or the insolvency or managerial failure by any of the contractors used by the Company in any of its activities or the insolvency or other managerial failure by any of the other service providers used by the Company for any activity.

6.5 Future Capital Requirements

The Company's activities will require substantial expenditures. There can be no guarantees that the funds raised through the Offer will be sufficient to successfully achieve all the objectives of the Company's overall business strategy. A further capital raising is likely to be required within 12 months. If the Company is unable to use debt or equity to fund expansion after the substantial exhaustion of the net proceeds of the Offer there can be no assurances that the Company will have sufficient capital resources for that purpose, or other purposes, or that it will be able to obtain additional resources on terms acceptable to the Company or at all. Any additional equity financing may be dilutive to Shareholders and any debt financing if available may involve restrictive covenants, which may limit the Company's operations and business strategy.

The Company's failure to raise capital if and when needed could delay or suspend the Company's business strategy and could have a material adverse effect on the Company's activities.

6.6 Potential Acquisitions

As part of its business strategy, the Company may make acquisitions of or significant investments in companies, products, technologies or resource projects. Any such future transactions would be accompanied by the risks commonly encountered in making acquisitions of companies, products, technologies or resource projects.

6.7 Reliance on Key Personnel

The Company's success depends largely on the core competencies of its Directors and management, and their familiarisation with, and ability to operate, in the metals and mining industry and the Company's ability to retain its key executives.

6.8 General Economic Risks and Business Climate

Share market conditions may affect the listed securities regardless of operating performance. Share market conditions are affected by many factors such as:

- general economic outlook;
- movements in or outlook on interest rates and inflation rates;
- currency fluctuations;
- commodity prices;
- changes in investor sentiment towards particular market sectors; and
- the demand and supply for capital.

Commodity prices are influenced by physical and investment demand for those commodities. Fluctuations in commodity prices may influence individual projects in which the Company has an interest.

6.9 Exploration, Development, Mining and Processing Risks

The business of mineral exploration, project development and mining by its nature contains elements of significant risk. Ultimate and continuous success of these activities is dependent on many factors such as:

- the discovery and/or acquisition of economically recoverable ore reserves;
- successful conclusions to bankable feasibility studies;
- access to adequate capital for project development;
- design and construction of efficient mining and processing facilities within capital expenditure budgets;
- securing and maintaining title to tenements and compliance with the terms of those tenements;
- obtaining consents and approvals necessary for the conduct of exploration and mining; and

- access to competent operational management and prudent financial administration, including the availability and reliability of appropriately skilled and experienced employees, contractors and consultants.

Adverse weather conditions over a prolonged period can adversely affect exploration and mining operations and the timing of revenues.

Whether or not income will result from projects undergoing exploration and development programs depends on the successful establishment of mining operations. Factors including costs, actual mineralisation, consistency and reliability of ore grades and commodity prices affect successful project development and mining operations.

Mining is an industry which has become subject to increasing legislative regulation including but not limited to environmental responsibility and liability. The potential for liability is an ever present risk. The use and disposal of chemicals in the mining industry is under constant legislative scrutiny and regulation. The introduction of new laws and regulations or changes to underlying policy may adversely impact on the operations of the Company.

6.10 Native Title

The Native Title Act 1993 (Cth) recognises and protects the rights and interests in Australia of Aboriginal and Torres Strait Islander people in land and waters, according to their traditional laws and customs. There is significant uncertainty associated with native title in Australia and this may impact on the Company's operations and future plans.

Native title can be extinguished by valid grants of land or waters to people other than the native title holders or by valid use of land or waters. It can also be extinguished if the indigenous group has lost their connection with the relevant land or waters. Native title is not extinguished by the grant of mining licences, as they are not considered to be grants of exclusive possession. A valid mining lease prevails over native title to the extent of any inconsistency for the duration of the title.

All tenements granted prior to 1 January 1994 are valid or validated.

Tenements granted between 1 January 1994 and 23 December 1996 may be invalid if they fail to comply with the Native Title Act or for certain other reasons because of native title. However, such invalid tenements may be validated if certain statutory criteria are met.

For tenements to be validly granted (or renewed) after 23 December 1996 the special "right to negotiate" regime established by the Native Title Act must be followed.

It is important to note that the existence of a native title claim is not an indication that native title in fact exists to the land covered by the claim, as this is a matter ultimately determined by the Federal Court.

The Company must also comply with Aboriginal heritage legislation requirements which require heritage survey work to be undertaken ahead of the commencement of mining operations.

6.11 Risks specific to the Company Projects

The Company's Projects represent the main business activity and focus of the Company. Risks specific to these projects include the following:

(a) Resource Estimate

Resource estimates are expressions of judgment based on knowledge, experience and industry practice. Estimates, which were valid when made, may change significantly when new information becomes available. In addition, resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. Should the Company encounter mineralisation or formations different from those predicted by past sampling and drilling, resource estimates may have to be adjusted and mining plans may have to be altered in a way which could have either a positive or negative effect on the Company's operations.

(b) Operating Risks

The current and future operations of the Company, including exploration, appraisal and possible production activities may be affected by a range of factors, including:

- geological conditions;
- limitations on activities due to seasonal weather patterns and cyclone activity;
- alterations to joint venture programs and budgets;
- unanticipated operational and technical difficulties encountered in seismic survey, drilling and production activities;
- mechanical failure of operating plant and equipment;
- adverse weather conditions, industrial and environmental accidents, acts of terrorism or political or civil unrest and other force majeure events;
- industrial action, disputation or disruptions;
- unavailability of aircraft or drilling equipment to undertake airborne electromagnetic and other geological and geophysical investigations;
- shortages or unavailability of manpower or appropriately skilled manpower;
- unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment; and
- prevention or restriction of access by reason of political unrest, outbreak of hostilities, and inability to obtain consents or approvals.

(c) Commodity Prices

The Company expects to derive any future revenue from the sale of commodities.

Consequently, the Company's expected earnings will be closely related to the price of these commodities together with any terms of the off-take agreement(s) under which these metals will be sold.

Commodity prices fluctuate and are affected by numerous factors beyond the control of the Company. These factors include worldwide and regional supply and demand for the specific commodity, commodity trading on the futures markets, general world economic conditions and the outlook for interest rates, inflation and other economic factors on both a regional and global basis. These factors may have a positive or negative effect on the Company's exploration, project

development and production plans and activities, together with the ability to fund those plans and activities.

(d) Currency

The Company's expects that any future revenue will be in US\$ while its cost base will be in other currencies (including A\$), consequently prevailing exchange rates will have an impact on the Company's expected earnings in A\$.

Exchange rates are affected by numerous factors beyond the control of the Company.

These factors include economic conditions and the outlook for interest rates, inflation and other economic factors. These factors may have a positive or negative effect on the Company's exploration, project development and production plans and activities, together with the ability to fund those plans and activities.

(e) Environment

The Company's Projects are subject to laws and regulations regarding environmental matters and the discharge of hazardous wastes and materials. As with all mining projects, these projects would be expected to have a variety of environmental impacts should development proceed.

The Company intends to conduct its activities in an environmentally responsible manner and in accordance with applicable laws and industry standards. Areas disturbed by the Company's activities will be rehabilitated as required by applicable laws and regulations.

(f) Title

The exploration licences comprising some of the tenements which the Company holds or in which it has an interest may be the subject of applications for extension or renewal in the future. Although the Company believes that exploration licences and tenements will be extended or renewed (as the case may be) according to applicable laws, there can be no assurance that they will be extended or renewed or as to the terms of any such extension or renewal.

If an exploration licence or a tenement is not extended or renewed, the Company may suffer significant damage through loss of the opportunity to discover and/or develop any mineral resources on that tenement.

In addition, the Company cannot guarantee that those tenements that are applications for tenements will ultimately be granted in whole or in part.

(g) Doulnia/Campala Project

As announced on 19 November 2009, the Company has entered into a Farm-In Agreement with Ampella Mining Limited ("**Ampella**"), pursuant to which it is entitled to acquire up to an 80% stake in Ampella Mining Limited's Doulnia and Campala tenements in Burkina Faso, West Africa ("**Permits**"). A summary of the Farm-in Agreement is set out in section 7.3.

The ability of the Company to carry on business in the normal course in Burkina Faso may be adversely affected by considerations associated with economic, social or political instability or change, hyperinflation, changes to regulatory regimes affecting foreign ownership, government participation, working conditions, taxation, exchange rates and licensing. Any of these events could result in conditions that delay or prevent exploration or ultimately development of the tenements taking place. The Company does not currently maintain "Political Risk" insurance.

The Company has been informed (and announced to ASX on 19 November 2009) that Ampella is finalising arrangements with the relevant authorities in Burkina Faso to formally add gold to the minerals included within the terms and conditions of the Permits. The Company may suffer loss in the event that Ampella is for some reason unable to achieve this.

As with any contractual relationship, completion of the agreement is dependent upon all parties to the agreement complying with their contractual obligations.

7 ADDITIONAL INFORMATION

7.1 Rights and Liabilities Attaching to Shares

The New Shares issued under this Prospectus will be fully paid ordinary shares in the capital of the Company and will rank equally with the Existing Shares.

The following is a broad summary (though not necessarily an exhaustive or definitive statement) of the rights and liabilities attaching to the Shares. Full details of the rights and liabilities attaching to the Shares are contained in the Constitution and in certain circumstances, are regulated by the Corporations Act, the ASX Listing Rules, the ASTC Settlement Rules and the common law. The Constitution is available for inspection free of charge at the Company's registered office.

(a) Share Capital

All issued ordinary fully paid shares rank equally in all respects.

(b) Voting Rights

At a general meeting of the Company, every holder of Shares present in person, by an attorney, representative or proxy has one vote on a show of hands and on a poll, one vote for each Share held, and for every contributing Share held, a fraction of a vote equal to the proportion which the amount paid up bears to the total issue price of the contributing Share. Where there is an equality of votes, the chairperson has a casting vote.

(c) Dividend Rights

Subject to the rights of any preference Shareholders and to the rights of the holders of any Shares created or raised under any special arrangement as to dividend (at present there are none), all dividends as declared by the Directors shall be payable on all Shares in proportion to the amount of capital for the time being paid up or credited as paid up in respect of the Shares, unless it was a term of issue of the Shares that they would carry full dividend rights and the Shares were issued on a pro-rata basis to Shareholders.

Dividends are payable only out of the profits of the Company as determined by the Directors or the Shareholders in general meeting which shall be conclusive. The Directors may set aside out of the profits of the Company such amounts as they may determine as reserves. The Directors may direct that payment of the dividend be made wholly or in part by the distribution of specific assets or documents.

(d) Rights on Winding-Up

If the Company is wound up, the liquidator may, with the authority of a special resolution, divide among the Shareholders in kind the whole or any part of the property of the Company and may for that purpose set such value as the liquidator considers fair upon any property to be so divided and may determine how the division is to be carried out as between the Shareholders of different classes of Shareholders.

The liquidator may, with the authority of a special resolution, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Shareholder is compelled to accept any Shares or other securities in respect of which there is any liability.

(e) Transfer of Shares

Shares in the Company may be transferred by instrument in any form which complies with the Constitution, the Corporations Act, the ASX Listing Rules and ASTC Settlement Rules.

Shares may be transferred by such means in accordance with the ASX Listing Rules and the ASTC Settlement Rules. The Directors may refuse to register a transfer of Shares only in those circumstances permitted by the Constitution, the ASX Listing Rules and the ASTC Settlement Rules.

(f) Further Increases in Capital

The allotment and issue of Shares is under the control of the Directors and, subject to any restrictions on the allotment of Shares imposed by the Constitution, the ASX Listing Rules or the Corporations Act, the Directors may allot, issue or grant Options over or otherwise dispose of those Shares to such persons, with such rights or restrictions as they may from time to time determine.

(g) Variation of Rights Attaching to Shares

The rights attaching to the Shares of a class (unless otherwise provided by their terms of issue) may only be varied by a special resolution passed at a separate general meeting of the holders of those Shares of that class, or in certain circumstances, with the written consent of the holders of at least three quarters of the issued Shares of that class.

(h) General Meeting

Each holder of Shares will be entitled to receive notice of, and to attend and vote at, general meetings of the Company and to receive notices, accounts and other documents required to be furnished to Shareholders under the Constitution, the Corporations Act and the ASX Listing Rules.

7.2 Continuous Disclosure and Documents Available for Inspection

This is a Prospectus for the offer of continuously quoted securities (as defined in the Corporations Act) of the Company and is issued pursuant to section 713 of the Corporations Act as a transaction specific prospectus. Accordingly, this Prospectus does not contain the same level of disclosure as an initial public offering prospectus.

The Company is a "disclosing entity" for the purposes of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. As a listed company, the Company is subject to the ASX Listing Rules which require it to immediately notify ASX of any information concerning the Company of which it is or becomes aware and which a reasonable person would expect to have a material effect on the price or value of Shares, subject to certain exceptions.

Copies of documents lodged with ASIC in relation to the Company may be obtained from, or inspected at, an office of ASIC.

The Company will provide a copy of each of the following documents, free of charge, to any person on request from the date of this Prospectus until the Closing Date:

- (a) the annual financial report of the Company for the financial year ended 30 June 2009, being the annual financial report of the Company most recently lodged with ASIC before the issue of this Prospectus; and

- (b) any documents used to notify ASX of information relating to the Company in the period from lodgement of the annual financial report referred to in paragraph (a) above until the issue of the Prospectus in accordance with the Listing Rules as referred to in Section 674(1) of the Corporations Act.

Copies of all documents lodged with ASIC in relation to the Company can be inspected at the registered office of the Company during normal office hours.

The Company has lodged the following announcements with ASX since the lodgement of the 2009 annual financial report:

Date	Description of ASX Announcement
21/01/2010	Reinstatement to Official Quotation
21/01/2010	Investor Presentation
21/01/2010	\$2.4m Capital Raising
21/01/2010	Burkina Faso Project Update
20/01/2010	Suspension from official quotation
18/01/2010	Trading halt
06/01/2010	Appointment of New Chairman
16/12/2009	VML Hits High Grade Gold at Doulnia West Africa
23/11/2009	Appendix 3B
20/11/2009	Results of Meeting
20/11/2009	Chairman`s AGM Address
19/11/2009	Major Gold Exploration Program in West Africa
18/11/2009	Appointment of New CEO
29/10/2009	Quarterly Activities Report
29/10/2009	Quarterly Cashflow Report
14/10/2009	Notice of Annual General Meeting/Proxy Form

ASX maintains files containing publicly available information for all listed companies. The Company's file is available for inspection at ASX during normal office hours.

7.3 Material Contracts

The following is a summary of the significant terms of the material agreements which relate to the business of the Company.

Farm-In Agreement

As announced on 19 November 2009, the Company has entered into an agreement with Ampella Mining Limited ("**Ampella**") pursuant to which it is entitled to acquire an interest in Exploration Permit 07-041 and Exploration Permit 08-062 located in Burkina Faso ("**Permits**"). The wholly owned subsidiary of Ampella which currently holds the Permits is also a party to the agreement.

Pursuant to the agreement, the Company is entitled to be issued fully paid ordinary shares in the capital of a company ("**Newco**") to be incorporated by the Company and Ampella and into which the Permits will be transferred.

A summary of the terms of the agreement are set out below.

(a) Condition precedent

Commencement of the agreement is conditional upon any required statutory and regulatory approvals and consents in relation to the transactions contemplated by the agreement being obtained, including obtaining the right to explore for gold on the Permits.

(b) First earn-in

The Company may earn a 60% interest in Newco by sole contributing the sum of A\$1.5 million on exploration and appraisal of the Permits within 2 years from commencement of the agreement, provided that A\$250,000 is expended within the first 12 months. If the Company fails to do so, it shall be deemed to have withdrawn from the agreement without earning an interest in Newco.

(c) Second earn-in

Within 30 days after the expiration of the first earn-in period, the Company may elect to incorporate Newco or earn a further 10% interest in Newco by sole contributing a further A\$2 million on exploration and appraisal of the Permits within the following two years. If the Company fails to do so, it shall be deemed to have forfeited its rights to earn a further interest in Newco and the parties will proceed to incorporate Newco.

(d) Third earn-in

Within 30 days after the expiration of the second earn-in period, the Company may elect to incorporate Newco or earn a further 10% interest in Newco by completing and sole funding a pre-feasibility study within the following two years. If the Company fails to do so, it shall be deemed to have forfeited its rights to earn a further interest in Newco and the parties will proceed to incorporate Newco.

(e) Withdrawal and default

The Company is committed to spend A\$250,000 within the first 12 months of the agreement but may otherwise withdraw from the agreement at any time. If the Company commits a breach which is unremedied for 20 days after receiving a notice to rectify the breach, the Company shall absolutely forfeit and be deemed to have assigned its interest to Ampella.

(f) Incorporation of Newco and Shareholders' Agreement

Upon the Company earning an 80% interest in Newco, electing to incorporate Newco or the parties proceeding to incorporate Newco following a failure to satisfy the second or third earn-in requirements, the parties must cause Newco to be incorporated and the Permits shall be transferred to Newco. The number of shares in Newco to be issued to the Company and Ampella shall be in accordance with their entitlements under the agreement.

The parties shall also enter into a shareholders' agreement including the following terms:

- the Company shall be appointed as manager of Newco;
- the board of Newco shall comprise not less than 2 directors and each of the Company and Ampella shall be entitled to appoint one director;
- for the purposes of meetings of directors, a quorum shall comprise two directors, and each director shall be entitled to the number of votes equal to the shares held by his or her appointing shareholder;

- decisions of the board shall be made by simple majority other than resolutions to approve programs and budgets upon incorporation (except where the Company has an 80% interest in Newco); commence mining operations, to surrender any Permit, to charge, mortgage or otherwise encumber Newco's property or to acquire or dispose of any item of Newco's property with a value in excess of A\$25,000, which will require a unanimous resolution of the board;
- the manager shall pay all outgoings and maintain the Permits in good standing (including ensuring that the minimum expenditure commitments are met and that all Burkina Faso mining legislation requirements are observed);
- Newco will make cash calls to the shareholders by way of equity contributions and/or shareholder loans in proportion to their interests;
- a shareholder's interest may be diluted at the election of a shareholder within 30 days after approval of a programme and budget or, if the shareholder defaults in the payment of a cash call for more than 10 days, at the election of the other shareholder. If a shareholder's interest is diluted to 5% or less, that shareholder is deemed to have converted its interest to a royalty calculated as 2% of net smelter return;
- if the board resolves to commence mining operations, Ampella may elect to participate or not to participate, upon which, the Company will have the right to acquire its interest in Newco. Failing an election, Ampella will be deemed to convert its interest to a royalty payable by the Company;
- in the event the Government of Burkina Faso is entitled to acquire an interest in the Permits or Newco, the interests of shareholders will be diluted proportionately;
- the shareholders will consider in good faith whether it is advantageous for Newco to enter into a mining convention with the Government of Burkina Faso in respect of the Permits, the terms of which will prevail over the shareholder agreement;
- a shareholder will be in material default if it commits a material breach (other than a failure to pay cash calls or provide shareholder loans) which is unremedied for 20 business days after receipt of a notice to rectify. The non-defaulting shareholder will have an option to acquire the materially defaulting shareholders' interest for 95% of its value, and must assume the obligations, discharge all liabilities and pay all amounts due by the materially defaulting shareholder;
- a shareholder may assign all or part of its interest to a related body corporate without the other shareholder's consent, provided the assignee company agrees to re-transfer the interest within 3 years of the assignment if it ceases to be a related body corporate;
- a shareholder may not otherwise assign all or part of its interest to a third party unless the assigning shareholder first offers to assign the interest to the other shareholder on the same terms and conditions;
- a shareholder may withdraw at any time and upon which, shall absolutely forfeit and be deemed to have assigned to the other shareholder its interest; and
- the obligations of any shareholder, other than the obligation to pay money, shall be suspended during the time and to the extent that the shareholder is prevented from complying with those obligations due to an event of force majeure.

(g) Guarantee and indemnity

Ampella guarantees the performance by its subsidiary of its obligations under the agreement and agrees to indemnify the Company in the event of default by its subsidiary. The Company agrees to give a comparable guarantee and indemnity in the event its interests under the agreement are taken up by a wholly owned subsidiary to be incorporated in Burkina Faso.

(h) Warranties

AMS warrants to the Company that, among other things, it is the sole owner of the Permits, that the Permits are valid, effective and in good standing and that it has entered into no other agreement regarding or otherwise encumbered the Permits.

(i) Assignment

A party wishing to assign or encumber its rights under the letter must procure the assignee to enter into a deed of assignment in a form and containing terms reasonably required by the non-assigning party.

(j) Caveats

If permitted under the mining legislation of Burkina Faso, Ampella and its subsidiary consent to the Company lodging a caveat over the Permits.

(k) Further agreements

The parties agree to negotiate in good faith to agree upon and execute a formal earn-in and shareholders' agreement to replace the agreement.

7.4 Interests of Directors

Other than as set out below or elsewhere in this Prospectus, no Director nor any entity in which such a Director is a partner or director, has or has had in the two years before the date of this Prospectus, any interest in:

- the formation or promotion of the Company;
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
- the Offer,

and no amounts have been paid or agreed to be paid (in cash or Shares or otherwise) and no other benefit has been given or agreed to be given to any Director or to any entity in which such a Director is a partner or director, either to induce him to become, or to qualify as, a Director or otherwise for services rendered by him or by the entity in connection with the formation or promotion of the Company or the Offer.

At the date of this Prospectus the relevant interest of each of the Directors in Shares are as follows:

Director	Shares
W Ryan	6,291,667
A Simpson	1,001,750
P Cordin	562,500

Director	Shares
D Macoboy	nil
P Benson	nil

As at the date of this Prospectus, none of the Directors hold any Options.

It is intended that Mr Macoboy will subscribe for up to 1,000,000 New Shares under the Offer, subject to Shareholder approval being obtained at a general meeting of the Company to be convened to occur on or about 2 March 2010.

The Constitution provides that the Directors may be paid for their services as Directors. Non-executive Directors may only be paid a sum not exceeding such fixed sum per annum as may be determined by the Company in general meeting, to be divided among the Non-executive Directors and in default of agreement then in equal Shares. In the last two financial years ending 30 June 2008 and 30 June 2009, \$1,229,276 and \$890,285 respectively and in the current financial year \$75,700 (excluding GST where applicable) has been paid by the Company by way of remuneration (including options) for services provided by all Directors, companies associated with the Directors or their associates in their capacity as Directors, employees, consultants or advisers. Directors, companies associated with the Directors or their associates are also reimbursed for all reasonable expenses properly incurred in the course of conducting their duties which include, but are not in any way limited to, out of pocket expenses, travelling expenses, disbursements made on behalf of the Company and other miscellaneous expenses.

7.5 Expenses of the Issue

In the event that the Offer is fully subscribed, the estimated expenses of the Issue are \$160,000.

7.6 Litigation

As at the date of this Prospectus, the Company is not involved in any material legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company.

7.7 Consents and Liability Statements

(a) Allion Legal

Allion Legal has given and has not, before lodgement of this Prospectus with ASIC, withdrawn its consent to be named in this Prospectus as solicitor to the Company in the form and context in which it is named in the Prospectus.

(b) Patersons Securities Limited

Patersons Securities Limited has given and has not, before lodgement of this Prospectus with ASIC, withdrawn its consent to be named in this Prospectus as Lead Manager to the Issue in the form and context in which it is named in the Prospectus.

Each of Allion Legal and Patersons Securities Limited:

- did not authorise or cause the issue of this Prospectus;

- does not make, or purport to make, any statement in this Prospectus nor is any statement in this Prospectus based on any statement by any of those parties other than as specified in this section; and
- to the maximum extent permitted by law, expressly disclaim any responsibility or liability for any part of this Prospectus other than a reference to its name and a statement contained in this Prospectus with consent of that party as specified in this section.

7.8 Interests of Experts and Advisers

Other than as set out below or elsewhere in this Prospectus, all other persons named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus do not have, and have not had in the two years before the date of this Prospectus, any interest in:

- the formation or promotion of the Company;
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
- the Offer,

and no amounts have been paid or agreed to be paid (in cash or Shares or otherwise) and no other benefit has been given or agreed to be given to any of those persons for services provided by those persons in connection with the formation or promotion of the Company or the Offer.

Allion Legal has acted as solicitor to the Company in relation to the Offer and is entitled to be paid up to \$25,000 (plus GST) in respect of these services. In addition, Allion Legal has been paid \$33,578 (plus GST) for the provision of professional services to the Company in the two years before the date of this Prospectus.

Patersons Securities Limited has acted as Lead Manager to the Issue and is entitled to be paid a fee of 5% of the total amount raised under the offer (plus GST).

7.9 Competent person statement

The information in this prospectus that relates to exploration results, mineral resources or ore reserves is based on information compiled by Mr Bruce Arthur Pertzel, who is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Pertzel is an employee of Vital Metals Ltd 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 Pertzel consents to the inclusion in the prospectus of the matters based on his information in the form and context in which it appears.

8 DIRECTORS' STATEMENT

Each Director has consented to the lodgement of this Prospectus with ASIC and has not withdrawn that consent.

This Prospectus is signed for and on behalf of the Company pursuant to a resolution of the Board by:

A handwritten signature in black ink, appearing to read "W J Ryan", is written over a horizontal line.

William J Ryan
Director

Dated: 22 January 2010

GLOSSARY

Application Form means the application form accompanying this Prospectus.

ASIC means the Australian Securities and Investments Commission.

ASTC means ASX Settlement and Transfer Corporation Pty Limited (ABN 49 008 504 532).

ASTC Settlement Rules means the settlement rules of ASTC.

ASX means ASX Limited (ABN 51 008 624 691).

ASX Listing Rules means the official Listing Rules of ASX.

Closing Date means the date that the Offer closes for applications specified at section 3.2.

Company means Vital Metals Limited (ACN 112 032 596) and its controlled entities.

Constitution means the constitution of the Company.

Corporations Act means the Corporations Act 2001 (Cth).

Director means a director of the Company as at the date of this Prospectus.

Existing Share means a Share on issue as at the date of this Prospectus.

Issue means the issue of New Shares under this Prospectus.

New Shares means the Shares that may be issued under this Prospectus.

Offer means the offer of New Shares pursuant to this Prospectus.

Opening Date means the date that the Offers open for applications specified in section 3.2.

Prospectus means this Prospectus dated 22 January 2010.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means the holder of a share.

WST means Western Australian Standard Time.