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**VITAL METALS LIMITED**

ACN 112 032 596

**NOTICE OF GENERAL MEETING**

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**TIME:** 2.00pm (WST)

**DATE:** 20 June 2018

**PLACE:** Amberley Business Centre, 3/1060 Hay Street, West Perth Western Australia 6005.

**This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.**

**If you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on (+61 8) 9486 4036.**

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**IMPORTANT INFORMATION**

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**TIME AND PLACE OF MEETING**

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Notice is given that a General Meeting of the Shareholders of Vital Metals Limited will be held at 2.00pm (WST) on 20 June 2018 at Amberley Business Centre, 3/1060 Hay Street, West Perth WA 6005.

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**YOUR VOTE IS IMPORTANT**

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The business of the General Meeting affects your shareholding and your vote is important.

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**VOTING ELIGIBILITY**

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The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the General Meeting are those who are registered Shareholders at 5:00pm (WST) on 18 June 2018.

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**VOTING IN PERSON**

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To vote in person, attend the General Meeting at the time, date and place set out above.

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**VOTING BY PROXY**

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To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

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## AGENDA – SPECIAL BUSINESS

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### 1. RESOLUTION 1: RATIFICATION OF PRIOR ISSUE – TRANCHE 1 PLACEMENT SHARES

To consider and, if thought fit, to pass, the following resolution as an ordinary resolution:

“That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, shareholders ratify and approve the issue under Listing Rule 7.1 by the Company of 197,953,354 fully paid ordinary shares on the terms and conditions set out in the Explanatory Statement.”

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by a person who participated in the issue or any associates of those persons. The Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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### 2. RESOLUTION 2: RATIFICATION OF PRIOR ISSUE – TRANCHE 1 PLACEMENT SHARES

To consider and, if thought fit, to pass, the following resolution as an ordinary resolution:

“That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, shareholders ratify and approve the issue under Listing Rule 7.1A by the Company of 131,968,903 fully paid ordinary shares on the terms and conditions set out in the Explanatory Statement.”

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by a person who participated in the issue or any associates of those persons. The Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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### 3. RESOLUTION 3: ISSUE OF TRANCHE 2 PLACEMENT SHARES

To consider and, if thought fit, to pass, the following resolution as an ordinary resolution:

“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, shareholders approve the issue by the Company of up to 93,000,000 fully paid ordinary shares at 0.9 cents per share on the terms and conditions set out in the Explanatory Statement.”

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by a person who may participate in the issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if the resolution is passed or any associates of those persons. The Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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### 4. RESOLUTION 4: PARTICIPATION OF DIRECTOR IN TRANCHE 2 PLACEMENT - FRANCIS HARPER

To consider and, if thought fit, to pass, the following resolution as an ordinary resolution:

“That, subject to Resolution 3 being passed, for the purposes of ASX Listing Rule 10.11 and for all other purposes, Shareholders approve and authorise Mr Francis Harper (or his nominees) to participate in the Tranche 2 Placement by subscribing for up to 11,111,112 Shares each at an issue price of 0.9 cents on the terms and conditions set out in the Explanatory Memorandum.”

**Voting Exclusion:** The Company will disregard any votes cast in favour of this Resolution by or on behalf of Mr Harper (or nominee) or any associates of Mr Harper. The Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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**5. RESOLUTION 5: ISSUE OF OPTIONS TO BROKER**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the grant of up to 10,000,000 Options to Argonaut Securities Limited (or their nominees) on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion Statement:** The Company will disregard any votes cast on this Resolution by Argonaut Securities Limited (or their nominees) or their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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**6. RESOLUTION 6: ISSUE OF OPTIONS TO RELATED PARTY BROKER**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purposes of section 195 (4) of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the grant of up to 20,000,000 Options to Blackwood Capital Limited (or its nominee), an entity related to Director Francis Harper, on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion Statement:** The Company will disregard any votes cast in favour of this Resolution by or on behalf of Mr Francis Harper (or his nominee) or any of his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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**7. RESOLUTION 7: ADOPTION OF NEW CONSTITUTION**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **special resolution**:

*“That, pursuant to section 136(2) of the Corporations Act and for all other purposes, the new Constitution submitted to the Meeting and signed by the Chairman for identification purposes, be approved and adopted as the Constitution of the Company in substitution for the previous constitution of the Company, as described in the Explanatory Memorandum.”*

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**8. RESOLUTION 8: ISSUE OF OPTIONS TO ADVISERS**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the grant of up to 40,000,000 Adviser Options to unrelated advisers (or their nominees) on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion Statement:** The Company will disregard any votes cast on this Resolution by any person who may participate in the issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed, or any Associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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**9. RESOLUTION 9: APPROVAL OF DISPOSAL OF MAIN UNDERTAKING**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purposes of ASX Listing Rule 11.2 and for all other purposes, approval is given for the Company to dispose of certain assets of the Company to Tungsten Mining NL on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion Statement:** The Company will disregard any votes cast on this Resolution by a person who might obtain a benefit (except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed) or any associates of such persons. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

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**DATED: 21 MAY 2018**

**BY ORDER OF THE BOARD**

**MATTHEW FOY  
COMPANY SECRETARY**

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## EXPLANATORY STATEMENT

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This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions which are the subject of the business of the Meeting.

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### 1. RESOLUTIONS 1 & 2: RATIFICATION OF PRIOR ISSUE – TRANCHE 1 PLACEMENT SHARES

#### 1.1 Background

On 27 March 2018, the Company announced to ASX that it had received commitments to undertake a placement to raise \$3.8m by the issue of up to 422.2 million Shares to sophisticated and professional investors at an issue price of 0.9 cents each (**Placement**). The Company advised that the Placement would be completed in two tranches as follows:

- 329.9 million New Shares to be issued on or about 4 April 2018 under Vital's existing placement capacity under ASX Listing Rules 7.1 and 7.1A (**Tranche 1**); and
- Up to 92.29 million New Shares will be issued subject to and immediately following the receipt of shareholder approval at a General Meeting (**Tranche 2**). A notice of general meeting will be sent to shareholders shortly.

On 5 April 2018, the Company issued 197,953,354 ordinary shares under the Company's Listing Rule 7.1 capacity, and 131,968,903 ordinary shares under the Company's Listing Rule 7.1A capacity.

ASX Listing Rule 7.1 provides that a company must not, subject to certain exceptions, issue or agree to issue more equity securities in any 12 month period other than the amount which is equal to 15% of its fully paid ordinary securities on issue at the start of that 12 month period ("15% share issue capacity").

ASX Listing Rule 7.1A provides that certain eligible companies may seek shareholder approval at its AGM to issue up to a further 10% of its fully paid ordinary securities on issue at the start of the 12 month period commencing on the date of the AGM ("10% share issue capacity"). For the purposes of ASX Listing Rule 7.1A an 'eligible entity' is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less.

The Company is an eligible company and sought and received shareholder approval to the 10% share issue capacity at its AGM on 17 November 2017. The shareholder approval is valid until the earlier of 12 months from the date of the AGM (that is, until 17 November 2018) or, if the Company undertakes a significant transaction requiring shareholder approval under Listing Rule 11.1.2 or 11.2, the date the shareholders approve that transaction.

ASX Listing Rule 7.4 provides that an issue of securities made without approval under Listing Rule 7.1 or 7.1A will be treated as having been made with shareholder approval for the purposes of those Listing Rules if shareholders subsequently ratify it and the issue did not breach Listing Rule 7.1.

Without shareholder approval pursuant to Listing Rule 7.4, the issues will be counted towards the Company's 15% share issue capacity and 10% share issue capacity respectively and will therefore reduce the Company's capacity to issue securities in the future without obtaining shareholder approval.

Accordingly, these resolutions seek shareholder approval to allow the Company to refresh its 15% share issue capacity (Resolution 1) and 10% share issue capacity (Resolution 2).

## 1.2 Technical information required by ASX Listing Rule 7.5

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to Resolutions 1 and 2:

- (a) In relation to Resolution 1, 197,953,354 Shares were issued and in relation to Resolution 2, 131,968,03 Shares were issued;
- (b) The issue price per Share was 0.9¢ each for both Resolution 1 and 2;
- (c) the Shares issued were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (d) the Shares were issued to sophisticated and professional investors none of which are related parties of the Company;
- (e) funds raised from the issue of the Tranche 1 Placement Shares will be used to:
  - (i) accelerate exploration of the Bouli Gold Project, Niger;
  - (ii) Undertake an exploration program at the Aue tungsten/cobalt Prospect, Germany; and
  - (iii) For general working capital purposes.

The directors of the Company unanimously recommend that shareholders vote in favour of Resolutions 1 and 2.

The Chairman of the Meeting will be casting undirected proxies in favour of this Resolution.

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## 2. RESOLUTION 3: ISSUE OF TRANCHE 2 PLACEMENT SHARES

### 2.1 General

As detailed in Section 1.1 of this Explanatory Statement, the Company has received firm commitments to undertake a placement to raise \$3.8m by the issue of up to 422.2 million Shares to sophisticated and professional investors at an issue price of 0.9 cents each

Resolution 3 seeks Shareholder approval for the issue of up to 93,000,000 Tranche 2 Placement Shares at an issue price of 0.9¢ to raise up to \$837,000 (before costs) (**Tranche 2 Placement Shares**).

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

The effect of Resolution 3 will be to allow the Company to issue the Tranche 2 Placement Shares during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

### 2.2 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to Resolution 3:

- (a) the maximum number of Shares to be issued is 93,000,000.
- (b) the issue price of the Tranche 2 Placement Shares is 0.9¢ per Share;

- (c) the Tranche 2 Placement Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of all of the Tranche 2 Placement Shares will occur on the same date;
- (d) The Tranche 2 Placement Shares will be issued to sophisticated and professional investors none of which are related parties of the Company;
- (e) funds raised from the issue of the Tranche 2 Placement Shares will be used to:
- (i) accelerate exploration of the Bouli Gold Project, Niger;
  - (ii) Undertake an exploration program at the Aue tungsten/cobalt Prospect, Germany; and
  - (iii) For general working capital purposes.

The directors of the Company unanimously recommend that shareholders vote in favour of Resolution 3.

The Chairman of the Meeting will be casting undirected proxies in favour of this Resolution.

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### **3. RESOLUTION 4: PARTICIPATION OF DIRECTOR IN TRANCHE 2 PLACEMENT – FRANCIS HARPER**

#### **3.1 General**

It is proposed that Director Mr Francis Harper (or his nominee) participate in the Tranche 2 Placement by subscribing for a total of up to 11,111,112 Shares (**Director Shares**) at an issue price of \$0.009, being the same terms as the Tranche 2 Placement. Further details of the Tranche 2 Placement are set out in section 2.1 of this Explanatory Memorandum.

Listing Rule 10.11 provides that a company must not (subject to specified exceptions) issue or agree to issue equity securities to a related party without the approval of Shareholders. Mr Francis Harper is a related party of the Company by virtue of being a Director. Therefore, approval is required under Listing Rule 10.11 for the issue of the Director Shares to Mr Francis Harper.

Resolution 4 seeks Shareholder approval pursuant to Listing Rule 10.11 for the issue of the Director Shares to Mr Francis Harper (or his nominee). If approval is given under Listing Rule 10.11, Shareholder approval is not required under Listing Rule 7.1.

Further, Shareholder approval of the issue of the Director Shares means that this issue will not reduce the Company's 15% placement capacity under Listing Rule 7.1.

Resolution 4 is an ordinary resolution and is subject to Resolution 3 being passed.

#### **3.2 Information required by Listing Rule 10.13**

The following information is provided to Shareholders for the purposes of Listing Rule 10.13:

- (a) The maximum number of Shares to be issued to Mr Francis Harper (or his nominee) is 11,111,112 Shares.
- (b) The Company will issue the Director Shares no later than one month after the date of the Meeting, (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules) and it is intended that all of the Director Shares will be issued on the same date.
- (c) The Director Shares will be issued at an issue price of \$0.009 per Share, being the same issue price as under the Tranche 2 Placement.



- (d) The funds raised from the issue of the Director Shares will be pooled with the funds raised under the Tranche 2 Placement and will be used to:
- (i) accelerate exploration of the Bouli Gold Project, Niger;
  - (ii) Undertake an exploration program at the Aue tungsten/cobalt Prospect, Germany; and
  - (iii) For general working capital purposes.
- (e) The Director Shares will be fully paid ordinary shares in the capital of the Company which will rank equally in all respects with the Company's existing Shares on issue.
- (f) A voting exclusion statement is included in the Notice.

### **3.3 Directors' Recommendation**

The directors of the Company unanimously recommend that shareholders vote in favour of Resolution 4.

The Chairman of the Meeting will be casting undirected proxies in favour of this Resolution.

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## **4. RESOLUTION 5: ISSUE OF OPTIONS TO BROKER**

### **4.1 General**

On 27 March 2018 the Company announced on ASX that it had undertaken a capital raising of \$3.8 million and had agreed to issue 30,000,000 Options to Argonaut Securities Limited and Blackwood Capital Pty Ltd (or nominees) at a price of \$0.0001 per option. The Options are exercisable at \$0.015 each on or before the date that is four years from the date of issue and otherwise on the terms in Schedule 1. Resolution 5 seeks approval to issue up to 10,000,000 Options to Argonaut Securities.

By approving this grant of up to 10,000,000 Options under Resolution 5, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 (as the case may be) without the requirement to obtain prior Shareholder approval.

### **4.2 Technical information required by ASX Listing Rule 7.1**

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided to Shareholders:

- (a) the maximum number of Options to be issued under this Resolution is 10,000,000;
- (b) the Options will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue will occur on the one date;
- (c) the issue price per Option is \$0.0001; upon exercise of any Options, the exercise price is \$0.015 per Option on or before the date that is four years following the date of issue. Funds raised from the issue of Options will be used for working capital purposes;
- (d) the Options will be granted to Argonaut Securities Limited (or its nominees) who is not a Related Party of the Company; and
- (e) the Options will be granted on the terms in Schedule 1; upon any exercise of the Options, the Shares will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as, and ranking equally (from the date of their issue) with, the Company's existing Shares the terms of which are in the public domain.

The directors of the Company unanimously recommend that shareholders vote in favour of Resolution 5.

The Chairman of the Meeting will be casting undirected proxies in favour of this Resolution.

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## 5. RESOLUTION 6: ISSUE OF OPTIONS TO RELATED PARTY BROKER

### 5.1 General

As set out in Section 4.1, pursuant to the Placement announced on 27 March 2018 the Company has agreed to issue 30,000,000 Options to Argonaut Securities Limited and Blackwood Capital Pty Ltd (or nominees) at a price of \$0.0001 per option. Resolution 6 seeks Shareholder approval for the grant of up to 20,000,000 Options to Blackwood Capital Ltd (or its nominees), an entity associated with Francis Harper on the terms set out in Schedule 1 (**Related Party Options**). The Related Party Options are exercisable at \$0.015 each on or before the date that is four years from the date of issue and otherwise on the terms in Schedule 1

### 5.2 Shareholder Approval (Listing Rule 10.11)

Pursuant to and in accordance with the requirements of ASX Listing Rule 10.13, the following information is provided in relation to the proposed grant of Related Party Options:

- (a) the related party is Blackwood Capital Ltd, an entity associated with Francis Harper by virtue of being a director of the Company (**Related Party**);
- (b) the maximum total number of Related Party Options to be issued is 20,000,000;
- (c) the Related Party Options will be granted to the Related Party no later than 1 month after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated the Related Party Options will be issued on one date;
- (d) the Related Party Options will be granted for cash consideration of \$0.0001 per Related Party option. Funds raised from the issue of Related Party Options will be used for working capital purposes;
- (e) the exercise price of the Related Party Options is \$0.015 each, on or before the date that is four years following the date of issue. The other terms and conditions of the Related Party Options are set out in Schedule 1.
- (f) the relevant interest in Shares and options held by the directors and their related parties at the date of this notice of meeting are set out below:

| Related Party  | Shares     | Options                 |
|----------------|------------|-------------------------|
| Francis Harper | 11,700,000 | 18,750,000 <sup>1</sup> |

1. Comprising 12,500,000 options exercisable at 2¢ expiring 30 April 2021 and 6,250,000 options exercisable at 1¢ expiring 17 November 2021

- (g) the remuneration and emoluments from the Company to the Related Party for the previous financial years and the proposed remuneration and emoluments for the current financial year are set out below, (disregarding the proposed grant of the Related Party Options):

| Related Party  | Current Financial Year   |           | Year ended<br>30 June 2017 |         | Year ended<br>30 June 2016 |         | Year ended<br>30 June 2015 |         |
|----------------|--------------------------|-----------|----------------------------|---------|----------------------------|---------|----------------------------|---------|
|                | Cash<br>(incl.<br>super) | Options   | Cash<br>(incl.<br>super)   | Options | Cash<br>(incl.<br>super)   | Options | Cash<br>(incl.<br>super)   | Options |
| Francis Harper | \$33,205                 | 6,250,000 | 5,000                      | N/A     | N/A                        | N/A     | N/A                        | N/A     |

- (h) the dilution effect if the Related Party Options granted to the Related Parties are exercised is set out below;
- (i) the market price for Shares during the term of the Related Party Options would normally determine whether or not the Related Party Options are exercised. If, at any time any of the Related Party Options are exercised and the Shares are trading on ASX at a price that is higher than the exercise price of the Related Party Options, there may be a perceived cost to the Company. The trading history of the Shares on ASX in the 12 months before the date of this Notice is set out below:

|         | Price   | Date             |
|---------|---------|------------------|
| Highest | \$0.015 | 15 January 2018  |
| Lowest  | \$0.006 | 4 September 2017 |
| Last    | \$0.009 | 18 May 2018      |

- (j) the primary purpose of the issue of the Related Party Options to the Director is part payment for capital raising services relating to the Placement;
- (k) Francis Harper declines to make a recommendation to Shareholders in relation to Resolution 6 due to his material personal interest in the outcome of the Resolution.
- (l) the Board is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolution 6.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Related Party Options to the Related Party as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of Related Party Options to the Related Party will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

### 5.3 Dilution

Accordingly, set out below is a worked example of the dilutionary impact should all the Options issued under Resolution 5 be exercised.

| Current Shares on issue as at the date of this Notice | Number of Shares to be issued following this notice | Sub-total     | Shares potentially issued on conversion of options subject to resolution 5 | Total         | Dilution (%) |
|---|---|---------------|--|---------------|--------------|
| 1,649,611,290   | 104,111,112   | 1,753,722,402 | 20,000,000   | 1,773,722,402 | 1.13%        |

Assuming no other Options are exercised, the Shares subject to Resolutions 3 and 4 are issued and the maximum number of Shares as set out in the worked example above are issued upon exercise of the Related Party Options, the number of Shares on issue would increase from 1,742,611,290 (being the number of Shares on issue as at the date of this Notice plus the Shares to be issued pursuant to Resolutions 3 & 4) to 1,773,722,402 and the shareholding of existing Shareholders would be diluted by 1.13%.

The Company notes that the above working is an example only. The maximum number of Shares to be issued and the dilution percentage may differ.

The directors of the Company (other than Francis Harper) recommend that shareholders vote in favour of Resolution 6.

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## **6. RESOLUTION 7: ADOPTION OF NEW CONSTITUTION**

### **6.1 General**

Pursuant to section 136(2) of the Corporations Act, a company may repeal its constitution and adopt a new constitution by special resolution. The Company's existing Constitution was adopted in 2005 on incorporation. Since incorporation the Company's activities have materially changed and the proposed changes to the Constitution are intended to reflect the Company's global business activities.

A summary of the key terms of the proposed new Constitution is set out in Schedule 2. The summary is not intended to be an exhaustive and Shareholders should read the proposed new Constitution in full before voting on Resolution 7. A copy of the proposed new Constitution will be available for review by Shareholders on request from the Company Secretary.

A number of amendments are also proposed in the new Constitution to ensure that it is as clear and concise as possible. There have been no fundamental changes to shareholders rights, such as the rights to vote and participate in dividends

The proposed Constitution complies with the requirements of the Corporations Act and the Listing Rules. Copies of the old Constitution and the proposed Constitution are available for perusal by Shareholders at the Company's registered office.

In accordance with section 136 of the Corporations Act, a resolution to adopt a new Constitution must be passed by Special Resolution at a general meeting.

Accordingly, Shareholder approval is sought for the adoption of the proposed Constitution.

The directors of the Company unanimously recommend that shareholders vote in favour of Resolution 7.

The Chairman of the Meeting will be casting undirected proxies in favour of this Resolution.

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## **7. RESOLUTION 8: ISSUE OF OPTIONS TO ADVISERS**

### **7.1 General**

The Company proposes to grant a total of 40,000,000 Advisers Options to key external corporate advisers for nil consideration, exercisable at 1.5¢ expiring 3 years from the date of issue and otherwise on the terms and conditions set out in Schedule 3 of this Notice.

The Board considers the use of options as an incentivisation tool to its key advisers who have the experience, skills and knowledge in the fields of securing offtake partners and the introduction of projects to aid in the Company's objectives. In addition, the use of options will allow the Company to retain its cash to maximise exploration expenditure.

By approving this grant of up to 40,000,000 Adviser Options under Resolution 8, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 (as the case may be) without the requirement to obtain prior Shareholder approval.

## 7.2 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided to Shareholders:

- (a) the maximum number of Adviser Options to be issued under this Resolution is 40,000,000;
- (b) the Options will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue will occur on the one date;
- (c) the Adviser Options will be issued for nil cash consideration; upon exercise of any Options, the exercise price is \$0.015 per Option on or before the date that is three years following the date of issue. Funds raised from the issue of Options will be used for working capital purposes;
- (d) the Options will be granted to corporate advisers to Company (or their nominees) who are not a Related Parties of the Company; and
- (e) the Options will be granted on the terms in Schedule 3; upon any exercise of the Options, the Shares will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as, and ranking equally (from the date of their issue) with, the Company's existing Shares the terms of which are in the public domain.

The directors of the Company unanimously recommend that shareholders vote in favour of Resolution 8.

The Chairman of the Meeting will be casting undirected proxies in favour of this Resolution.

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## 8. RESOLUTION 9: APPROVAL OF DISPOSAL OF MAIN UNDERTAKING

### 8.1 Background to Resolution

As announced on 2 May 2018, the Company has entered into a binding term sheet (**Term Sheet**) with Tungsten Mining NL (ACN 152 084 403) (**Purchaser**), pursuant to which the Company has agreed to sell its wholly owned subsidiary, North Queensland Tungsten Pty Ltd (ACN 113 586 440) (**NQT**), which owns and operates the Watershed Tungsten Project (**Disposal**).

In consideration for the Disposal, the Purchaser has agreed to pay \$15 million cash to the Company. Listing Rule 11.2 applies in relation to the proposed Disposal. Accordingly the Company is seeking the approval of its Shareholder for the proposed Disposal in accordance with Listing Rule 11.2.

The Watershed Tungsten Project is located 130km north of Cairns. An updated capital cost review completed independently for the Company in March 2018 estimated project capital expenditure to be approximately \$106 million.

### 8.2 Regulatory requirements

Listing Rule 11.2 states that a listed entity that is proposing to make a significant change, either directly or indirectly, by disposing of its main undertaking, must get the approval from Shareholders and comply with any requirements of ASX in relation to the Notice of Meeting.

Listing Rule 11.2 considers the Disposal to be a “disposal of the Company’s main undertaking” and accordingly Shareholder approval is required.

In accordance with Listing Rule 11.2, the Company seeks Shareholder approval of the Disposal and provides disclosure of the details of the Disposal and its impact on the Company.

### 8.3 Rationale for the Disposal

The Company has undertaken a review as to how best to maximise the value of the Watershed Tungsten Project in light of the Company’s success at the Bouli Gold Project. This review over six months included an optimisation of the project and discussions with all significant potential offtakers. It also became apparent from the review that Watershed would be more readily developed by an owner with a substantially larger balance sheet than that of the Company.

Consistent with the Company’s stated corporate strategy of project rationalisation and focus on West African exploration, the Company decided to realise the Watershed Tungsten Project’s value by entering into the Term Sheet with the Purchaser.

The disposal will result in a significant strengthening of the Company’s cash reserves, which will enhance the Company’s ability to pursue opportunities to acquire exploration and/or mining projects across a range of commodities at attractive valuations.

#### Summary of the Term Sheet

On 1 May 2018, the Company entered into the Term Sheet, the key terms of which are set out below.

- (a) **(Consideration)** The Purchaser agrees to pay the Company \$15 million less any liabilities of NQT, subject to any adjustments set out in any Formal Agreement.
- (b) **(Conditions Precedent)** Completion of the sale and purchase of NQT shares is subject to:
  - (i) execution of a deed of assignment and assumption by the Company and NQT or (at the Purchaser’s election) the Purchaser with respect to the Company’s 2008 indigenous land use agreement;
  - (ii) the Company executing a deed of release with respect to the Company’s guarantee obligations under a royalty deed;
  - (iii) Purchaser notifying the Company that it has completed and is satisfied with its due diligence investigations with respect to NQT; and
  - (iv) the Company obtaining regulatory and shareholder approval as required to complete the Disposal.
- (c) **(Formal Agreement)** The parties will negotiate in good faith a formal sale and purchase agreement with respect to the NQT shares that is on terms that is reasonably acceptable to the Company and Purchaser.
- (d) **(Exclusivity and Break Fee)** Directors shall recommend Shareholders to vote in favour of the Disposal, unless Directors form the view (based on independent advice) that they must change their recommendation to discharge their fiduciary duties. If directors change their recommendation and Shareholders do not approve the Disposal, a break fee of \$500,000 is payable to the Purchaser.
- (e) The Term Sheet is otherwise on terms that are customary for agreements of this nature.

#### 8.4 Impact of the Disposal on the Company

As the consideration offered by the Purchaser is 100% cash, the Disposal will have no impact on existing Shareholders' voting and equity participation interests in the Company. Implementation of the Disposal will have an impact on the composition and nature of the assets and liabilities of the Company.

A pro-forma consolidated balance sheet for the Company is set out below and shows the impact on the financial position of the Company after completion of the Disposal, on the assumptions set out in the notes to the pro-forma balance sheet, as if they had occurred on 31 December 2017.

| Vital Metals Ltd Group                             | 31-Dec-17         | Proforma<br>30-Mar-18 |
|--|-------------------|-----------------------|
|  | Audit Reviewed    | Unaudited             |
|  | \$                | \$                    |
| <b>Current Assets</b>                              |                   |                       |
| Cash and cash equivalents                          | 1,735,097         | 17,349,312            |
| Trade and other receivables                        | 96,136            | 96,136                |
| <b>Total current assets</b>                        | <b>1,831,233</b>  | <b>17,445,448</b>     |
| <b>Non-Current Assets</b>                          |                   |                       |
| Property, Plant and equipment                      | 21,708            | 21,708                |
| Exploration and evaluation asset                   | 8,087,788         | 499,466               |
| <b>Total non-current assets</b>                    | <b>8,109,496</b>  | <b>521,174</b>        |
| <b>Total assets</b>                                | <b>9,940,729</b>  | <b>17,966,622</b>     |
| <b>Current liabilities</b>                         |                   |                       |
| Trade and other payables                           | 212,118           | 212,118               |
| Provisions   | 40,014            | 0                     |
| Borrowings   | 1,336,913         | -                     |
| <b>Total current liabilities</b>                   | <b>1,589,045</b>  | <b>212,118</b>        |
| <b>Non-current liabilities</b>                     |                   |                       |
| Provisions   | 400,000           | -                     |
| <b>Total non-current liabilities</b>               | <b>400,000.00</b> | <b>-</b>              |
| <b>Total liabilities</b>                           | <b>1,989,045</b>  | <b>212,118</b>        |
| <b>Net assets</b>                                  | <b>7,951,684</b>  | <b>17,754,504</b>     |
| <b>Equity</b>                                      |                   |                       |
| Contributed equity                                 | 49,530,695        | 52,321,837            |
| Reserve  | 2,376,183         | 2,776,183             |
| Accumulated losses                                 | (43,955,194)      | (37,343,516)          |
| <b>Capital and reserves attributable to owners</b> | <b>7,951,684</b>  | <b>17,754,504</b>     |
| <b>Total equity</b>                                | <b>7,951,684</b>  | <b>17,754,504</b>     |

The above pro forma unaudited Consolidated Statement of Financial Position includes material movements in the assets and liabilities of the Company between 31 December 2017 and the completion of the Disposal, including:

1. \$15 million Cash consideration for the sale of Watershed Tungsten Project to TGN and the elimination of the assets and liabilities being disposed.
2. Retirement of Macquarie Bank debt.
3. Disposal of Watershed Tungsten Project Provisions.
4. Exploration expenditure spend between January and 30 March 2018.

The Disposal will:

- (a) not have any impact on the capital structure of the Company;
- (b) not result in any change to the composition of the Board; and
- (c) not result in the Company needing to borrow funds or raise capital for the foreseeable future.

Shareholders should consider the various advantages and disadvantages set out below in assessing the impact of the Disposal on the Company.

#### **Advantages of the Disposal**

The Directors are of the view that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on the Disposal:

- (a) If completed, the Disposal will immediately add \$13.6 million (following repayment of the Macquarie Bank debt) to the Company's cash reserve which will enable the Company to continue with its ongoing strategy of pursuing an aggressive exploration in West Africa;
- (b) removal of all the rent, rates and exploration commitments that accompany the Watershed Tungsten Project, improving the Company's cashflow position;
- (c) the Disposal will enable the Company to completely discharge its liabilities owing to the debt facility with Macquarie Bank;
- (d) the Disposal will relieve the Company of the requirement to fund the projected project capital expenditure costs of the Watershed Tungsten Project; and
- (e) the Company will be free to assess other investment opportunities on a much broader scale to increase Shareholder value.

#### **Disadvantages of the Disposal**

The Directors are of the view that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's decision on how to vote on the Disposal:

- (a) the Company will no longer be the legal and beneficial holder of the Watershed Tungsten Project and Shareholders will have no exposure to that project going forwards; and
- (b) the Company recognises that the Disposal may not be consistent with the investment objectives of all Shareholders.

#### **Implications if the Disposal does not proceed**

As noted above, Shareholders will be aware that the Company has been undergoing a period of review at the Watershed Tungsten Project. If the Company were to develop the Watershed Tungsten Project it would require substantial additional capital. In the event the Disposal does not proceed the Company cannot guarantee it will be able to source additional funds to develop the Watershed Tungsten Project.



In addition, if the Disposal does not proceed the Company will need to continue to meet the rent, rates and exploration commitments that accompany the Watershed Tungsten Project that will deplete the Company's current cash reserves.

The Company has considered various options available to it and has determined that the sale of the Watershed Tungsten Project is the most effective way of strengthening the Company's balance sheet and considers the sale of the project offers the most certainty to Shareholders.

### 8.5 Intentions following completion of the Disposal

In addition to progressing the Watershed Tungsten Project, over the past two years the Company has been focussed on gold exploration in Africa and West Africa. The strengthened balance sheet of the Company following Disposal will provide the financial flexibility necessary to advance its existing projects and to investigate other opportunities going forward. This will include accelerated exploration at the Bouli Gold Project where recently reported ultra-high-grade results from the Bella Tondi prospect will be pursued further.

### 8.6 Indicative Timetable

Subject to the Listing Rules and Corporations Act requirements, the Company anticipates completion of the Disposal in accordance with the following timetable (which is subject to change by the Company):

| Event                                   | Date         |
|---|--------------|
| Announcement of the Disposal            | 2 May 2018   |
| Despatch of Notice of Meeting           | 21 May 2018  |
| General Meeting to approve Resolution 9 | 20 June 2018 |
| Settlement of the Disposal              | 27 June 2018 |

### 8.7 Board Recommendation

The Directors unanimously recommend that Shareholders vote in favour of Resolution 9 and intend to vote all of their Shares in favour of Resolution 9.

The Directors have a relevant interest in the securities of the Company as set out in the following table:

| Director       | Shares     | Unlisted options |
|----------------|------------|------------------|
| David Macoboy  | 17,500,000 | 9,253,099        |
| Mark Strizek   | 3,173,964  | 50,438,023       |
| Andrew Simpson | 1,684,375  | 5,168,733        |
| Peter Cordin   | 6,931,116  | 5,168,733        |
| Francis Harper | 11,700,000 | 18,750,000       |

The Directors do not have any material personal interest in the outcome of the Resolution other than as a result of their interest arising solely in the capacity of Shareholders of the Company.

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## GLOSSARY

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\$ means Australian dollars.

**Adviser Options** means options exercisable at 1.5¢ expiring three years from the date of issue and otherwise on the terms and conditions set out in Schedule 3.

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means ASX Limited.

**ASX Listing Rules** means the Listing Rules of ASX.

**Board** means the current board of directors of the Company.

**Broker Options** means the Option terms set out in Schedule 2.

**Business Day** means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

**Company** means Vital Metals Limited (ACN 112 032 596).

**Corporations Act** means the Corporations Act 2001 (Cth).

**Director Shares** has the meaning set out in section 3.1.

**Directors** means the current directors of the Company.

**Explanatory Statement** means the explanatory statement accompanying the Notice.

**General Meeting or Meeting** means the meeting convened by this Notice.

**Notice or Notice of Meeting or Notice of General Meeting** means this notice of general meeting including the Explanatory Statement and the Proxy Form.

**Placement** has the meaning set out in section 1.1.

**Proxy Form** means the proxy form accompanying the Notice.

**Related Party Options** has the meaning set out in section 5.1.

**Resolutions** means the resolutions set out in the Notice of Meeting, or any one of them, as the context requires.

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

**Shareholder** means a holder of a Share.

**Tranche 1** has the meaning set out in 1.1.

**Tranche 2 or Tranche 2 Placement Shares** has the meaning set out in 2.1.

**VWAP** means the volume weighted average price of shares in the Company trading on ASX.

**WST** means Western Standard Time as observed in Perth, Western Australia.

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## SCHEDULE 1 – TERMS OF OPTIONS

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Each Option entitles the holder to subscribe for one Share upon exercise of the Option.

(a) **Exercise Price**

Subject to paragraph 1.1(h), the amount payable upon exercise of each Option will be \$0.015 (**Exercise Price**). Each Option shall be issued for \$0.0001 per Option

(b) **Expiry Date**

Each Option will expire at 5:00 pm (WST) on at 5.00 pm, Western Standard Time on the fourth anniversary of the issue date (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(c) **Exercise Period**

The Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

(d) **Notice of Exercise**

The Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

(e) **Exercise Date**

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).

(f) **Timing of issue of Shares on exercise**

Within 15 Business Days after the Exercise Date, the Company will:

- (i) issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
- (ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and
- (iii) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.

If a notice delivered under paragraph 1.1(f)(i) or 1.1(f)(ii) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

(g) **Shares issued on exercise**

Shares issued on exercise of the Options rank equally with the then issued shares of the Company.

(h) **Reconstruction of capital**

If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

(i) **Participation in new issues**

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.

(j) **Change in exercise price**

An Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.

(k) **Unquoted**

The Company will not apply for quotation of the Options on ASX.

(l) **Transferability**

The Options are transferable subject to the Constitution, any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.

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## SCHEDULE 2 – SUMMARY OF PROPOSED NEW CONSTITUTION

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The key terms of the proposed Constitution are summarised below.

### Share capital

Subject to the Corporations Act, ASX Listing Rules, and any special rights previously conferred on the holders of any Shares or class of shares, the issue of Shares in the Company is under the control of the Directors.

The Company may issue preference shares and issued shares provided that they are issued on the terms set out in schedule 1 of the proposed Constitution or as approved by a resolution of the Company.

While the Company is on the official list of ASX the Company may not issue a preference share that confers on the holder rights that are inconsistent with those specified in the Listing Rules, except to the extent of any waiver or modification of the Listing Rules by ASX.

### Reduction of capital

The Company may reduce its share capital in any way not otherwise prohibited under the Corporations Act including, but not limited to, distributing the securities of any other body corporate to Shareholders and for the Shareholders to be bound by the Constitution of that body corporate.

### General meetings

A resolution put to the vote at a general meeting must be decided on a show of hands unless a poll is effectively demanded and not withdrawn. If a poll is demanded it must be taken in the manner and at the date and time directed by the chairman and the result of the poll is a resolution of the meeting at which the poll was demanded.

Subject to any rights or restrictions attached to any class of shares, on a show of hands and on a poll, each Shareholder present in person and each person present as a proxy, attorney or representative of a Shareholder has one vote for each fully paid Share held. On a poll, partly paid shares confer a fraction of a vote in proportion to the amount paid up on the Share.

Two Shareholders present in person or by proxy, attorney or representative are a quorum at a general meeting.

### Directors

Unless otherwise determined by the Company in general meeting, the number of Directors is to be not less than three. While the Company is listed, a Director must not hold office without re-election past the third annual general meeting following the Director's appointment or last election or for more than three years, whichever is the longer.

The business of the Company is to be managed by the Directors, who may exercise all such powers of the Company as are not, by the Corporations Act or by the Constitution, required to be exercised by the Company in general meeting.

The aggregate amount of the remuneration of the Directors is a yearly sum not exceeding the sum from time to time determined by the Company in general meeting.

### Dividends and reserves

Subject to the Corporations Act, the Constitution and the rights of any person entitled to shares with special rights to dividend, the Directors may determine that a dividend is payable.

The Directors may before paying any dividend, set aside such sums as they think proper as a reserve, to be applied, at the discretion of the Directors, for any purpose for which such sums may be properly applied and carry forward so much of the profits that are not included in the sums set aside without transferring those profits to a reserve. The Directors may deduct from any dividend payable to, or at the direction of, a Shareholder any sums presently payable by that Shareholder to the Company on account of calls or otherwise in relation to shares in the Company.

### Winding up

Subject to the rights of Shareholders holding shares issued on special terms and conditions, if the Company is wound up, the liquidator may, with the sanction of a special resolution of the Company, divide among the Shareholders in specie or 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 on any property to be so divided and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders.

### Indemnity

To the maximum extent permitted by law, the Company may indemnify any current or former Director or Secretary or officer or senior manager of the Company or a subsidiary of the Company out of the property of the Company against any liability incurred by the person in that capacity (except a liability for legal costs), legal costs incurred in defending or resisting (or

otherwise in connection with) proceedings, whether civil or criminal or of an administrative or investigatory nature, in which the person becomes involved because of that capacity, and legal costs incurred in good faith in obtaining legal advice on issues relevant to the performance of their functions and discharge of their duties as an officer of the Company or a subsidiary.

#### **Restricted securities**

Any restricted securities (as that term is defined in the Listing Rules) cannot be disposed of during the escrow period (as that term is defined in the Listing Rules) except as permitted by the Listing Rules or ASX.

#### **Unmarketable parcels**

While the Company is listed, it may sell the Shares of Shareholders who holds less than a marketable parcel of Shares. Once in any 12 month period, the Company may provide written notice to Shareholders who hold unmarketable parcels stating the Company's intention to sell the unmarketable parcel. A Shareholder has not less than 42 days after notice is given to notify the Company that it wishes to retain its Shares, failing which the Company may sell the unmarketable parcels.

#### **Proportional takeover provisions**

The Company may refuse to register Shares acquired under a proportional takeover bid unless approved by a resolution of Shareholders.

The following information is required to be provided to Shareholders at the time proportional takeover provisions are adopted.

A proportional takeover bid includes a bidder offering to buy a proportion only of each Shareholder's Shares in the Company. This means that control of the Company may pass without Shareholders having the chance to sell all of their Shares to the bidder. It also means the bidder may take control of the Company without paying an adequate amount for gaining control.

In order to deal with this possibility, the Company may provide in its proposed Constitution that:

- (i) in the event of a proportional takeover bid being made for Shares in the Company, Shareholders are required to vote by ordinary resolution and collectively decide whether to accept or reject the offer; and
- (ii) the majority decision of the Company's Shareholders will be binding on all individual Shareholders.

The Directors consider that Shareholders should be able to vote on whether a proportional takeover bid ought to proceed given such a bid might otherwise allow control of the Company to change without Shareholders being given the opportunity to dispose of all of their Shares for a satisfactory control premium. The Directors also believe that the right to vote on a proportional takeover bid may avoid Shareholders feeling pressured to accept the bid even if they do not want it to succeed.

The effect of the proportional takeover provisions in the proposed Constitution is that, if a proportional takeover offer is received, the Directors are required to convene a meeting of Shareholders to vote on a resolution to approve the proportional bid. Each security holder affected will be entitled to vote (except for the bidder and persons associated with the bidder, who may not vote). Approval of the bid will require a simple majority of the votes cast. The meeting must be held at least 14 days before the bid closes so that holders know the result of the voting before they have to make up their minds whether or not to accept for their own securities.

If the proportional bid is not approved, the registration of any transfer of Shares resulting from an offer made under the proportional bid will be prohibited and the bid will be deemed to be withdrawn. If the proportional bid is approved, the transfers will be registered, provided they comply with the other provisions of the Corporations Act and the Company's proposed Constitution.

The bid will be taken to have been approved if the resolution is not voted on within the deadline specified under the Corporations Act. These provisions do not apply to takeover bids for the whole of the issued Shares in the Company.

The proportional takeover approval provisions will cease to apply at the end of three years (or longer if it is subsequently renewed by a further resolution of Shareholders).

The reasons why the Board has proposed that the proposed Constitution should provide for a Shareholder resolution on proportional takeover bids are set out below as the advantages of the provisions. Each of the Directors consider that these advantages outweigh the disadvantages stated below.

The potential advantages of the proposed proportional takeover approval provisions for Shareholders are that:

- (i) they give Shareholders their own say in determining, by a majority vote, whether a proportional takeover bid should proceed;
- (ii) they enable Shareholders, by combining together, to veto a change of control that would lock them into a minority position;

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- (iii) the existence of the resolution requirement in the proposed Constitution would make it more probable that any takeover bid will be a full bid for the whole Shareholding of each Shareholder, so that Shareholders may have the opportunity of disposing of all their Shares rather than of a proportion only;
  - (iv) if a proportional takeover bid should be made, the existence of the resolution requirement will make it more probable that a bidder will set its offer price at a level that will be attractive to the Shareholders who vote;
  - (v) knowing the view of the majority of Shareholders assists each individual Shareholder in assessing the likely outcome of the proportional takeover bid, and whether to accept or reject offers made under that bid; and
  - (vi) at present it is only the Directors who express on behalf of the Company any formal view on the adequacy or otherwise of a takeover bid. With the resolution requirement, the most effective view on a proportional takeover bid will become the view expressed by the vote of the Shareholders themselves at general meeting.

The potential disadvantages of the proposed proportional takeover approval provisions for Shareholders are that:

- (i) proportional takeover bids may be discouraged, reducing the speculative element in the market price of the Company's Shares arising from the possibility of a takeover offer being made;
- (ii) an individual Shareholder who wishes to accept a proportional takeover bid will be unable to sell to the bidder unless a majority of Shareholders favour the proportional takeover bid; and
- (iii) the inclusion of the provisions may be considered to constitute an unwarranted additional restriction on the ability of Shareholders to freely deal with their Shares.

Advantages and disadvantages of the proposal for the Directors are that:

- (i) if the Directors consider that a proportional takeover bid should be opposed, they will be assisted in preventing the bidder from securing control of the Company if the bidder needs a majority of the votes cast by the independent Shareholders before it can succeed; and
- (ii) on the other hand, under the proportional takeover approval provisions, if a proportional takeover bid is commenced, the Directors must call a meeting to seek the Shareholders' views, even though the Directors believe that the bid should be accepted.

As at the date of this Explanatory Memorandum, no Director is aware of any proposal by any person to acquire or increase the extent of a substantial interest in the Company.

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### SCHEDULE 3 – TERMS OF ADVISER OPTIONS

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Each Option entitles the holder to subscribe for one Share upon exercise of the Option.

(m) **Exercise Price**

Subject to paragraph 1.1(h), the amount payable upon exercise of each Option will be \$0.015 (**Exercise Price**).

(n) **Expiry Date**

Each Option will expire at 5:00 pm (WST) on at 5.00 pm, Western Standard Time on the third anniversary of the issue date (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(o) **Exercise Period**

The Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

(p) **Notice of Exercise**

The Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

(q) **Exercise Date**

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).

(r) **Timing of issue of Shares on exercise**

Within 15 Business Days after the Exercise Date, the Company will:

- (i) issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
- (ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and
- (iii) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.

If a notice delivered under paragraph 1.1(f)(i) or 1.1(f)(ii) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

(s) **Shares issued on exercise**

Shares issued on exercise of the Options rank equally with the then issued shares of the Company.

(t) **Reconstruction of capital**

If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

(u) **Participation in new issues**

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.

(v) **Change in exercise price**

An Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.



(w) **Unquoted**

The Company will not apply for quotation of the Options on ASX.

(x) **Transferability**

The Options are transferable subject to the Constitution, any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.

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If you are attending the meeting in person, please bring this with you for Securityholder registration.

**Holder Number:**

## Vote by Proxy: VML

Your proxy voting instruction must be received by **2.00pm (WST) on Monday, 18 June 2018**, being **not later than 48 hours** before the commencement of the Meeting. Any Proxy Voting instructions received after that time will not be valid for the scheduled Meeting.

### SUBMIT YOUR PROXY VOTE ONLINE

Vote online at <https://investor.automic.com.au/#/loginsah>

Login & Click on 'Meetings'. Use the Holder Number as shown at the top of this Proxy Voting form.



- ✓ **Save Money:** help minimise unnecessary print and mail costs for the Company.
- ✓ **It's Quick and Secure:** provides you with greater privacy, eliminates any postal delays and the risk of potentially getting lost in transit.
- ✓ **Receive Vote Confirmation:** instant confirmation that your vote has been processed. It also allows you to amend your vote if required.

### SUBMIT YOUR PROXY VOTE BY PAPER

Complete the form overleaf in accordance with the instructions set out below.

#### YOUR NAME AND ADDRESS

The name and address shown above is as it appears on the Company's share register. If this information is incorrect, and you have an Issuer Sponsored holding, you can update your address through the investor portal: <https://investor.automic.com.au/#/home> Shareholders sponsored by a broker should advise their broker of any changes

#### VOTING UNDER STEP 1 - APPOINTING A PROXY

If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that Individual or body corporate. A proxy need not be a Shareholder of the Company. Otherwise if you leave this box blank, the Chairman of the Meeting will be appointed as your proxy by default.

#### DEFAULT TO THE CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote these proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Voting Form, including where the Resolutions are connected directly or indirectly with the remuneration of KMP

#### VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by marking one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

#### APPOINTMENT OF SECOND PROXY

You may appoint up to two proxies. If you appoint two proxies, you should complete two separate Proxy Voting Forms and specify the percentage or number each proxy may exercise. If you do not specify a percentage or number, each proxy may exercise half the votes. You must return both Proxy Voting Forms together. If you require an additional Proxy Voting Form, contact Automic Registry Services.

#### SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided

**Individual:** Where the holding is in one name, the Shareholder must sign.

**Joint holding:** Where the holding is in more than one name, all of the Shareholders should sign.

**Power of attorney:** If you have not already lodged the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Voting Form when you return it.

**Companies:** To be signed in accordance with your Constitution. Please sign in the appropriate box which indicates the office held by you.

**Email Address:** Please provide your email address in the space provided. **By providing your email address, you elect to receive all communications despatched by the Company electronically (where legally permissible) such as a Notice of Meeting, Proxy Voting Form and Annual Report via email.**

#### CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate 'Appointment of Corporate Representative' should be produced prior to admission. A form may be obtained from the Company's share registry online at <https://automic.com.au>.

#### ATTENDING THE MEETING

Completion of a Proxy Voting Form will not prevent individual Shareholders from attending the Meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Voting Form and attends the Meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the Meeting.

#### POWER OF ATTORNEY

If a representative as power of attorney of a Shareholder of the Company is to attend the Meeting, a certified copy of the Power of Attorney, or the original Power of Attorney, must be received by the Company in the same manner, and by the same time as outlined for proxy forms.

**CONTACT**

**Return your completed form:**



**BY MAIL**

Automic Registry Services  
PO Box 2226  
Strawberry Hills NSW 2012



**IN PERSON**

Automic Registry Services  
Level 3, 50 Holt Street,  
Surry Hills NSW 2010

**Contact us – All enquiries to Automic:**



**WEBCHAT**

<https://automic.com.au/>



**EMAIL**

hello@automic.com.au



**PHONE**

1300 288 664 (Within Australia)  
+61 2 9698 5414 (Overseas)

**STEP 1: Please appoint a Proxy**

**Complete and return this form as instructed only if you do not vote online**

I/We being a Shareholder entitled to attend and vote at the General Meeting of Vital Metals Limited, to be held at **2.00pm (WST) on Wednesday, 20 June 2018 at Amberley Business Centre, 3/1060 Hay Street, West Perth Western Australia 6005** hereby:

**Appoint the Chairman of the Meeting (Chair)** OR if you are not appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy or failing the person so named or, if no person is named, the Chair, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit and at any adjournment thereof.

**The Chair intends to vote undirected proxies in favour of all Resolutions in which the Chair is entitled to vote.**

Unless indicated otherwise by ticking the "for," "against" or "abstain" box you will be authorising the Chair to vote in accordance with the Chair's voting intention.

**STEP 2: Your Voting Direction**

**Resolutions**

- 1 Ratification of Prior Issue – Tranche 1 Placement Shares
- 2 Ratification of Prior Issue – Tranche 1 Placement Shares
- 3 Issue of Tranche 2 Placement Shares
- 4 Participation of Director in Tranche 2 Placement - Francis Harper
- 5 Issue of Options to Broker

**For Against Abstain**

|                          |                          |                          |
|--------------------------|--------------------------|--------------------------|
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

**Resolutions**

- 6 Issue of Options to Related Party Broker
- 7 Adoption of New Constitution
- 8 Issue of Options to Advisers
- 9 Approval of Disposal of Main Undertaking

**For Against Abstain**

|                          |                          |                          |
|--------------------------|--------------------------|--------------------------|
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

*Please note: If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.*

**STEP 3: Sign**

**SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED**

Individual or Securityholder 1

Securityholder 2

Securityholder 3

Sole Director and Sole Company Secretary

Director

Director / Company Secretary

Contact Name..... Contact Daytime Telephone..... Date \_\_\_\_ / \_\_\_\_ / \_\_\_\_

Email Address \_\_\_\_\_

**By providing your email address, you elect to receive all of your communications despatched by the Company electronically (where legally permissible).**