

28 November 2008

Dear Shareholder

OFFER TO PARTICIPATE IN VITAL METALS LTD SHARE PURCHASE PLAN

The Directors of Vital Metals Ltd are pleased to offer to shareholders the opportunity to participate in the Company's Share Purchase Plan. The plan entitles eligible shareholders of the Company to purchase up to \$5,000 worth of fully paid ordinary shares in the capital of the Company, free from all brokerage and commissions.

This will allow all shareholders the ability to gross up their position while assisting the Company in raising general working capital.

Accompanying this letter is a document entitled 'Share Purchase Plan Terms and Conditions' which explains how the new shares will be issued should you participate in this offer. Also included is a personalised application form which you need to complete in accordance with the instructions provided, and return to Security Transfer Registrars Pty Ltd, PO Box 535, Applecross, WA 6953 with payment, in the reply paid envelope, so that it is received no later than 5.00pm WDST on Friday, 19 December 2008.

The Share Purchase Plan will open on Monday, 1 December 2008 for a period of 18 days (closing on Friday, 19 December 2008) with shareholders registered as at the close of business on Friday, 28 November 2008 eligible to participate in the offer.

Shareholders can purchase either the maximum subscription of 83,333 shares at a price of \$0.06 per share (\$5,000) or the minimum subscription of 33,333 shares at a price of \$0.06 per share (\$2,000).

I hope that you will give favourable consideration to this offer as a convenient means of increasing your holding in the Company. This will provide the Company with working capital as the company continues to move forward.

If you have any questions about this opportunity please call the Company on (08) 9388 7742 and ask to speak to either myself or John Sobolewski.

Yours faithfully

Andy Haslam
Managing Director

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ABN 32 112 032 596

SHARE PURCHASE PLAN TERMS AND CONDITIONS

VITAL METALS LTD

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TERMS AND CONDITIONS

These terms and conditions are the terms and conditions of the Vital Metals Ltd ABN 32 112 032 596 (“**Company**”) Share Purchase Plan (“**Plan**”) (as contemplated by Regulatory Guide 125 of the Australian Securities & Investments Commission) and are binding on any shareholder completing a Share Purchase Plan Application Form attached hereto.

1 THE OFFER

The Offer is an invitation to offer to subscribe for fully paid ordinary shares in the Company (“**Shares**”) at 6 (six) cents per Share for either the maximum subscription of 83,333 Shares (\$5,000) OR the minimum subscription of 33,333 Shares (\$2,000). You may only apply for either the maximum or the minimum subscription. You may refuse the Offer.

The Offer to each eligible shareholder is made on the same terms and conditions. The Offer is non-renounceable (i.e. you may not transfer your right to acquire a Share to anyone else.)

2 OPENING AND CLOSING DATE OF THE OFFER

The Offer opens at 9.00am WDST on Monday, 1 December 2008. The Offer closes at 5.00pm WDST on Friday, 19 December 2008. The Directors of the Company reserve the right to change the closing date of the Offer.

No late applications will be accepted.

3 ELIGIBILITY

You are eligible to apply for Shares if:

- (a) your registered address in the Company’s register of members is in Australia or New Zealand or otherwise to any shareholder to whom an offer of securities under this Plan is not in breach of the securities laws of the country in which they reside; and
- (b) you were registered as a holder of fully paid Shares in the company as at 5.00pm WDST on Friday, 28 November 2008.

4 ISSUE PRICE

The issue price for each Share under the Offer is 6 (six) cents. The price is 86% of the weighted price of the Company’s Shares for the five days traded prior to 28 November 2008.

5 RIGHTS ATTACHING TO SHARES

The rights and obligations of the Shares are contained in the Constitution of the Company (which is available for inspection at the registered office of the Company during the period of the Offer). The Shares will be issued on the same terms as all other ordinary Shares in the Company and the Company will apply for the Shares to be quoted on ASX.

If the Shares are not quoted on ASX, the Shares will not be issued and funds will be refunded.

6 NUMBER OF SHARES

If you are an eligible shareholder, you can purchase either a minimum of 33,333 Shares for a consideration of \$2,000 OR, a maximum of 83,333 Shares for a consideration of \$5,000. Shareholders can only subscribe for the maximum or the minimum subscription.

The total cost of Shares purchased by each eligible shareholder (including through joint holding/s, multiple Share accounts or any holding in which they have a beneficial interest/s) must not exceed \$5,000. The Directors reserve the right to issue to an eligible shareholder less Shares than the number specified in an Application Form (including only that number of Shares per accepted Application Form that permits the Company to comply with ASX Listing Rule 7.1) for whatever reason including the possible subscription of over \$5,000 worth of Shares by a shareholder through multiple applications or joint holdings. No fractions of Shares will be issued.

7 MAXIMUM NUMBER OF SHARES TO BE ISSUED

The total number of Shares under the Plan must not exceed 30% of the number of Shares currently on issue. Accordingly, the Company retains the right to scale back the number of Shares issued to shareholders under the Plan if demand is strong. Any scaling down will be pro-rata for all shareholders on the basis of the amount paid. You therefore may be issued with fewer Shares than as set out in the alternative you select from the above.

8 PARTICIPATION COSTS

You must pay the issue price per Share and any fees or charges incurred by you in completing the Application Form, for example, bank fees or fees of professional advisors. The Company will pay any brokerage or stamp duty. No commission is payable by the Company on the issue of the Shares.

9 ALLOTMENT OF SHARES

Subject to **clause 7** of this Offer, the Shares will be allotted as soon as possible after the closing date.

The Company will send or cause to be sent to you a holding statement in due course.

10 PAYMENT FOR THE SHARES

All amounts in this Offer are expressed in Australian dollars. You must pay for the Shares by a cheque in Australian dollars made payable to "Vital Metals Ltd". Please provide a cheque for the exact amount. If you do not provide the exact amount, the Company reserves the right to return your Acceptance Form and cheque (in which case you will receive no Shares) or issue you a lesser number of Shares and (if necessary) return a portion of your funds. No interest will be paid on money returned.

11 OFFERS UNDER THE PLAN

The Company may make more than one invitation to acquire Shares under the Plan in any 12 month period. Shareholders will not be able to acquire Shares to a value exceeding \$5,000 pursuant to the Plan in any 12 month period. The Company may amend the terms of the Plan to provide for different terms to apply to different invitations. The Company may terminate the Plan at any time. Notice of invitations, the terms of invitations and termination of the Plan will be provided to ASX (although, failure to give notice will not invalidate the event.)

12 APPLICATION OF PLAN

The Company may act or omit to act in relation to the Plan (including applying the terms of the Plan) in its absolute discretion. The Company may settle any difficulty or question of fact or interpretation in relation to the Plan in any manner it thinks fit, whether generally or in relation to any participant, application or Share. The Company's decision will be conclusive and binding. The Company reserves the right to waive strict compliance with the terms of the Plan. The Directors of the Company or any delegate of them may exercise the powers of the Company under the terms of the Plan.

13 RISK

While the subscription price is, at the time of this offer at a 14% discount to the market price of 6.99 cents per Share in the 5 day trading period up to 27 November 2008, subscription under the Plan is a speculative investment and the market price may change between the dates you apply for Shares and the issue of Shares to you. Accordingly, the value of Shares applied for may rise or fall.

This offer is not a prospectus and does not require the types of disclosures required under the Corporations Act. You must rely on your own knowledge of Vital Metals Ltd, previous disclosures made by Vital Metals Ltd to ASX, and, if necessary, consult your professional adviser when deciding whether or not to accept the offer and participate in the Plan.

14 PRIVACY

By receiving completed Application Forms, the Company collects personal information about shareholders. The Company will use this information for the purposes of processing the Application Form and updating the records of the Company. Unless required by the law, the Company will not disclose the personal information of a shareholder to a third party or use the personal information for another purpose without the consent of the shareholder. Except as stated by the law, shareholders are able to access, upon request, their personal information held by the Company. For further information about how we manage your personal information or if you wish to obtain a copy of the Company's privacy policy, please contact us.

15 USE OF FUNDS

The application of funds raised pursuant to the Plan is described in the letter to shareholders dated 28 November 2008 inviting them to participate in the Plan.

16 IMPORTANT DATES

The important dates in relation to this Offer are summarised below. These dates are indicative only and subject to change at the discretion of the Directors.

	Date
Announcement of Plan and record date	28 November 2008
Date of offer	1 December 2008
Offer opening date	1 December 2008
Offer closing date (subject to Directors' discretion to extend)	19 December 2008