



Vital Metals Ltd

Notice of Annual General Meeting and Explanatory Statement

**Annual General Meeting to be held at
The Celtic Club, 48 Ord Street, West Perth
on 21 November 2008 commencing at 10 a.m. (WDST)**

**Vital Metals Ltd
ACN 112 032 596**

This Notice of Annual General Meeting and Explanatory Statement should be read in its entirety.
If shareholders are in doubt as to how they should vote, they should seek advice from their
accountant, solicitor or other professional adviser without delay.

Corporate Directory

Directors	William Ryan (Non-Executive Chairman) Andy Haslam (Managing Director) Andrew Simpson (Non-Executive Director) Peter Knowles (Non-Executive Director)
Secretary	John Sobolewski
Registered Office	Level 1, 335 Hay Street Subiaco WA 6008 Telephone: (61 8) 9388 7742 Facsimile: (61 8) 9388 0804 Email: vital@vitalmetals.com.au Website: www.vitalmetals.com.au
Auditor	KPMG 154-158 St George's Terrace Perth WA 6000
Lawyers	Pullinger Readhead Lucas Level 2 50 Kings Park Road West Perth WA 6005
Share Registry	Security Transfer Registrars Pty Ltd 770 Canning Highway Applecross WA 6153 Telephone: (61 8) 9315 2333 Facsimile: (61 8) 9315 2233
ASX Code	VML

Notice of Annual General Meeting

The 2008 Annual General Meeting of Vital Metals Limited will be held at the Celtic Club, 48 Ord Street, West Perth on 21 November 2008 commencing at 10 a.m. (WDST).

Ordinary Business

1 Financial Statements and Reports

Period 1 July 2007 to 30 June 2008

To receive and consider the Annual Financial Report, together with the Directors' and Auditor's Reports for the year ending 30 June 2008.

2 Adoption of Remuneration Report

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

"That, for all purposes, Shareholders adopt the Remuneration Report set out in the Directors' Report for the year ending 30 June 2008."

Please note that the vote on this resolution is advisory only and does not bind the Directors or the Company.

3 Election of William Ryan

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

"That, for all purposes, William Ryan, who retires and offers himself for re-election, is re-elected as a Director."

4 Election of Peter Knowles

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

"That, for all purposes, Peter Knowles, who was appointed to the Board since the last annual general meeting of the Company is re-elected as a Director."

Special Business

5 Approval of Option Issue – Peter Knowles

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

"That, for the purposes of Listing Rule 10.11 and for all other purposes, Shareholders approve the issue of 500,000 Options to Peter Knowles, for the purposes and on the terms set out in the Explanatory Statement."

6 Approval of Option Issue – Andy Haslam

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

"That, for the purposes of Listing Rule 10.11 and for all other purposes, Shareholders approve the issue of 1,500,000 Options to Andy Haslam, for the purposes and on the terms set out in the Explanatory Statement."

7 Ratification of Previous Securities Issue

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

“That, for the purposes of Listing Rule 7.4 and for all other purposes, the Shareholders ratify and approve the issue of 350,000 Options for the purpose and on the terms set out in the Explanatory Statement.”

8 Approval of Employee Share Option Plan

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

“That, pursuant to and in accordance with Exception 9(b) in Listing Rule 7.2 and for all other purposes, the Shareholders approve the issue of options under the Company’s Employee Share Option Plan as detailed in the Explanatory Statement.”

9 Proportional Takeover Approval

To consider and, if thought fit, to pass the following resolution as a special resolution:

“That the Company renew the proportional takeover provisions contained in Schedule 3 of the Constitution for a period of 3 years from the date of this special resolution.”

***Voting Exclusions**

For the purposes of:

- (a) **(resolutions 5 and 6):** Listing Rule 10.13.6 – the Company will disregard any votes cast on this resolution by Mr Knowles or Mr Haslam or an associate of Mr Knowles or Mr Haslam;
- (b) **(resolution 7):** Listing Rule 7.5.6 – the Company will disregard any votes cast on resolution 7 by any person who participated in the issue and any of their associates;
- (c) **(resolution 8):** Listing Rule 7.2 Exception 9(b) – the Company will disregard any votes on this resolution by Directors, except those that are ineligible to participate in any employee incentive schemes of the Company or their associates.

unless 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 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).

Explanatory Statement

The Explanatory Statement accompanying this Notice of Annual General Meeting is incorporated in and comprises part of this Notice of Annual General Meeting.

Shareholders are specifically referred to the Glossary in the Explanatory Statement which contains definitions of capitalised terms used both in this Notice of Annual General Meeting and Explanatory Statement.

Proxies

Please note that:

- (a) a member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy;
- (b) a proxy need not be a member of the Company; and
- (c) a member of the Company entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

The enclosed proxy form provides further details on appointing proxies and lodging proxy forms.

“Snap-shot” Time

The Company may specify a time, not more than 48 hours before the meeting, at which a “snap-shot” of shareholders will be taken for the purposes of determining shareholder entitlements to vote at the meeting.

The Company’s directors have determined that all shares of the Company that are quoted on ASX at 5 p.m. WDST on 19 November 2008 shall, for the purposes of determining voting entitlements at the Annual General Meeting, be taken to be held by the persons registered as holding the shares at that time.

Corporate Representative

Any corporate Shareholder who has appointed a person to act as its corporate representative at the meeting should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that company’s representative. The authority may be sent to the Company and/or registry in advance of the meeting or handed in at the meeting when registering as a corporate representative. An appointment of Corporate Representative form is enclosed if required.

By Order of the Board of Directors

John Sobolewski

John Sobolewski
Company Secretary
Vital Metals Ltd

9 October 2008

Explanatory Statement

This Explanatory Statement has been prepared for the information of Shareholders in relation to the business to be conducted at the Company's 2008 Annual General Meeting.

The purpose of this Explanatory Statement is to provide Shareholders with all information known to the Company which is material to a decision on how to vote on the resolutions in the accompanying Notice of Annual General Meeting.

This Explanatory Statement should be read in conjunction with the Notice of Annual General Meeting. Capitalised terms in this Explanatory Statement are defined in the Glossary.

1 Financial Statements and Reports

The Annual Financial Report, Directors' Report and Auditor's Report for the Company for the year ending 30 June 2008 will be laid before the meeting.

There is no requirement for Shareholders to approve these reports. However, the Chairman will allow a reasonable opportunity for Shareholders to ask questions or make comments about those reports and the management of the Company. Shareholders will also be given a reasonable opportunity to ask the auditor questions about the conduct of the audit and the preparation and content of the Auditor's Report.

In addition to taking questions at the meeting, written questions to the Chairman about the management of the Company, or to the Company's auditor about:

- the preparation and content of the Auditor's Report;
- the conduct of the audit;
- accounting policies adopted by the Company in relation to the preparation of the financial statements; and
- the independence of the auditor in relation to the conduct of the audit,

may be submitted no later than 14 November 2008 to:

KPMG
154-158 St Georges Terrace
Perth WA 6000
Telephone: (61 8) 9263 7171
Facsimile: (61 8) 9263 7129

2 Adoption of Remuneration Report

The Remuneration Report of the Company for the financial year ending 30 June 2008 is set out in the Directors' Report section of the Company's Annual Report.

The Remuneration Report sets out the Company's remuneration arrangements for the executive and non-executive Directors and executive employees of the Company.

A reasonable opportunity will be given for the discussion of the Remuneration Report at the meeting. Shareholders should note that the vote on this resolution is advisory only and does not bind the Company or the Directors.

3 Election of William Ryan

In accordance with Listing Rule 14.4 and clause 7.3 of the Constitution, at every Annual General Meeting, one third of the Directors for the time being must retire from office and are eligible for re-election. The Directors to retire are to be those who have been in office for 3 years since their appointment or last re-appointment or who have been longest in office since their appointment or last re-appointment or, if the Directors have been in office for an equal length of time, by agreement.

On the above basis, Mr Ryan retires and offers himself for re-election. Details in relation to Mr Ryan are set out in the 2008 Annual Report of the Company available at www.vitalmetals.com.au.

4 Election of Peter Knowles

Clause 7.3 of the Constitution requires that any Director appointed by the Board, either to fill a casual vacancy or as an addition to the Board, must retire at the next Annual General Meeting following his or her appointment, but is eligible for re-election at that Annual General Meeting.

On the above basis, Mr Knowles retires and offers himself for re-election. Details in relation to Mr Knowles are set out in the 2008 Annual Report of the Company available at www.vitalmetals.com.au.

5 & 6 Approval of Option Issues to Related Parties

Resolutions 5 and 6 seek Shareholder approval in order to comply with the requirements of Chapter 2E of the Corporations Act and Listing Rule 10.11.

The Company proposes to issue 2,000,000 Options exercisable at \$0.40 to the parties in the proportions indicated in the table below:

Director	Number of Options
Peter Knowles	500,000
Andy Haslam	1,500,000

The Options are to be issued for no consideration and no funds will be raised from the issue of the Options.

Current Share and Option Holdings

The table below shows the holdings in Shares and Options before and after Resolutions 5 and 6 are effected:

Director	As at date of Notice of Annual General Meeting		Following Resolution 5 & 6	
	Shares	Options	Shares	Options
Peter Knowles	0	0	0	500,000
Andy Haslam	63,250	3,500,000	63,250	5,000,000

The issue of the Options will be equal to approximately 1.76% of the Company's fully-diluted share capital (based on the number of Shares and Options on issue as at the date of the Notice of Annual General Meeting). The Options will be allotted and issued as soon as possible after the Annual General Meeting but no later than one month after the Annual General Meeting.

The Options will be issued on the terms and conditions set out in Annexure B.

Section 208 Corporations Act

Chapter 2E of the Corporations Act regulates the provision of financial benefits to related parties by a public company. The issue of Options contemplated by Resolutions 5 and 6 constitutes the provision of a financial benefit to a related party under section 229 of the Corporations Act.

A "related party" is widely defined and includes a director of a public company (or a proposed director), specified members of the director's family and an entity controlled by a related party (unless the entity is also controlled by the public company).

Chapter 2E of the Corporations Act prohibits the Company from giving a financial benefit to a related party of the Company unless either:

1. the giving of the financial benefit falls within one of the exceptions to the provision; or
2. prior shareholder approval is obtained to the giving of the financial benefit.

Information Requirements

Each of the Directors the subject of Resolutions 5 and 6 are related parties of the Company pursuant to section 228 of the Corporations Act.

For the purposes of section 219 of the Corporations Act the following information is provided to Shareholders to enable them to assess the merits of the resolutions.

The Related Parties to Whom the Resolutions Would Permit the Benefit to be Given

Peter Knowles and Andy Haslam being Directors ("Related Parties")

The Nature of the Financial Benefit

The proposed financial benefit to be given is the issue of Options to the Related Parties as set out in the table above, comprising a total of 2,000,000 Options. The Options will be issued on the terms set out in Annexure B.

Directors' Recommendations

Each of the Directors, who are Related Parties, decline to make a recommendation to Shareholders in relation to Resolutions 5 and 6 because they have a material personal interest in the outcome of the Resolutions.

Each of the Directors who are not Related Parties recommend that Shareholders vote in favour of Resolutions 5 and 6 because both of these gentlemen have been with the Company for a limited period of time, have not had any opportunity to participate in the more prosperous times and, given the current extraordinary financial circumstances, their duties will be rendered much more difficult than was the case for most of the life of the Company. The issue of the Options are strongly recommended by the other non-

executive directors, all of whom have recently exercised 500,000 options (and who are not making any case for any additional incentives).

The issue of 500,000 Options to Mr Peter Knowles, who has a distinguished track record and experience in most facets of the market and business, will provide an additional incentive for him to contribute to the Company.

The issue of 1,500,000 Options to Mr Andy Haslam, who has been the CEO and Managing Director of the Company since the beginning of January 2008, is considered imperative as he is the key executive most likely to bring success and benefits to the Company and to its shareholders. Retention of his services will be one of the most important parts of the ongoing success and, while Mr Haslam has been allotted a large option package at the 2007 Annual General Meeting, the world financial circumstances have changed so dramatically since that time that the exercise price of the previous options is more than five hundred percent above current levels, circumstances that have been out of any person's control. Losing the services of the CEO and Managing Director at this time would be extremely damaging for the future of Vital Metals Ltd.

Other Information that is Reasonably Required by Members to Make a Decision and that is Known to the Company or any of its Directors

The Board considers that the issue of Options will provide an incentive to the Related Parties to increase the value of the Company and its securities, for the benefit of all Shareholders.

Valuation of Options

The Binomial option price calculation method is widely regarded as acceptable as a valuation model where the options cannot be readily valued by some other means. In determining the dollar value, the following assumptions were made:

- (a) the market price of Shares is \$0.19 per Share;
- (b) the Options will be exercisable at \$0.40 each;
- (c) the Options will be exercisable by 30 June 2011;
- (d) price volatility of the Shares during the life of the Options is expected to be 100%;
- (e) the average current risk free interest rate is 6.5%; and
- (f) a discount of 20% has been allowed to reflect the unlisted status of the Options.

On this basis, the implied value being received by each Related Party in relation to the Options is as follows:

Related Party	Value (\$)
Peter Knowles	35,950
Andy Haslam	107,850

The relevant Directors' base salaries per annum (including superannuation), or consulting fees, and the total financial benefits to be received by them in the financial year ending 30 June 2009, when added to the implied value to be received by each of the Directors as a result of the issue of Options the subject of Resolutions 5 and 6, is as follows:

Director	Description	Per annum (\$)	Value of Options to be Issued to Directors (\$)	Total Financial Benefit (\$)
Peter Knowles	Non-Executive Director	54,500	35,950	90,450
Andy Haslam	Managing Director	395,500	107,850	503,350

Trading History

The highest and lowest closing market sale prices of the Company's Shares on ASX during the 3 months immediately preceding the date of lodgement of this Notice of Annual General Meeting with ASIC and the respective dates of those sales were:

Highest: \$0.59 on 5 June 2008

Lowest: \$0.105 on 8 October 2008

The closing trading price of the Shares prior to the Notice of Annual General Meeting was \$0.105 on 8 October 2008.

7 Ratification of Previous Securities Issue

On 17 September 2008 the Company issued 350,000 Rundel Options exercisable at \$0.40 per Rundel Option and expiring on 17 September 2010 to Paul Rundel or his nominee. Mr Rundel is employed by the Company as project engineer.

Resolution 7 therefore seeks approval under Listing Rule 7.4 to ratify the issue of 350,000 Rundel Options for the purposes of Listing Rule 7.1, which provides generally that a company may not issue shares equal to more than 15% of the Company's issued share capital in any 12 months without obtaining shareholder approval. Although the issue of 350,000 Rundel Options did not exceed this amount, seeking approval under the Listing Rules allows for the Company in future to issue a further 15% of its issued capital without further reference to the Shares issued under this resolution.

Listing Rule 7.5 requires the Company to provide the following information to Shareholders in order to obtain Shareholder approval pursuant to Listing Rule 7.4:

- the number of Rundel Options issued was 350,000;
- the Rundel Options were issued to Paul Rundel's spouse, Sharida Rundel;
- the Rundel Options were issued for no consideration;
- each Rundel Option entitles the holder to subscribe for one Share and are exercisable at \$0.40 per Option on the terms summarised in Annexure B save for that 50% of the Rundel Options vest after 6 months from the date of issue and Paul Rundel remaining an employee of the Company and the remaining 50% vest after 12 months from the date of issue and Paul Rundel remaining an employee of the Company and are exercisable by 17 September 2010;

- Shares issued pursuant to the exercise of the Rundel Options will rank equally in all respects with all of the existing ordinary Shares on issue; and
- no funds were raised from the issue.

8 Employee Share Option Plan

The Company proposes to adopt a new Employee Share Option Plan No. 2 (“Plan”), pursuant to which the Company can issue options to eligible participants in order to provide them with an incentive to deliver growth and value to all Shareholders. The existing employee share option plan lapsed in August 2008. The terms of the Plan are materially the same as the Company’s previous employee share option plan. A complete copy of the Plan is available free of charge on request.

Shareholder approval is sought for the issue of the options to eligible employees of the Company for the purposes of Exception 9(b) of Listing Rule 7.2. If approval is given, options issued under the Plan will be exempt from counting towards the 15% of the issued capital of the Company that can be issued in any 12 month period without Shareholders’ approval under Listing Rule 7.1.

Summary of the Plan

The Board introduced the Plan for the purpose of providing participants with an additional incentive to work to improve the performance of the Company, attracting and retaining personnel essential for the continued growth and development of the Company, promoting and fostering loyalty and support amongst Company personnel for the benefit of the Company and enhancing the relationship between the Company and participants for the long term mutual benefit of all parties.

The Plan satisfies certain ASIC class order conditions, relieving the Company from the obligation to issue a prospectus for the offer of options to participants other than consultants under the Plan.

- Each option entitles the holder, on exercise, to one Share in the Company.
- Shares issued on exercise of options will rank equally with other Shares of the Company.
- An option may only be exercised after that option has vested, after any conditions associated with the exercise of the option are satisfied and before its expiry date. The Board may determine the vesting period. On the grant of an option the Board may in its absolute discretion impose other conditions on the exercise of an option.
- The exercise price of each option issued under the Plan will be determined by the Board when it resolves to offer the options, and will be not less than the weighted average sale price of the Shares on ASX over the five trading days immediately preceding the day of the issue of options by the Board.
- The expiry date of an option is the second anniversary of the date of issue of the option.

- (f) An option will lapse immediately upon the first to occur of its expiry date or the holder acting fraudulently or dishonestly in relation to the Company, or 30 days after certain conditions associated with a party acquiring a 90% interest in the Shares of the Company.
- (g) If the Company enters into a scheme of arrangement, a takeover bid is made for the Company's Shares, or a party acquires a sufficient interest in the Company to enable them to replace the Board (or the Board forms the view that one of those events is likely to occur), then the Board may declare an option to be free of any conditions of exercise. Options which are so declared may be exercised at any time on or before they lapse.
- (h) Options may not be transferred other than to a nominee of the holder. Quotation of options on ASX will not be sought. However, the Company will apply to ASX for official quotation of Shares issued on the exercise of options.
- (i) There are no participating 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. However, the Company will ensure that the record date for determining entitlements to any such issue will be at least 6 business days after the issue is announced.
- (j) If the Company makes an issue of Shares to Shareholders by way of capitalisation of profits or reserves ("**Bonus Issue**"), each optionholder holding any options which have not expired at the time of the record date for determining entitlements to the Bonus Issue shall be entitled to have issued to him upon exercise of any of those options, the number of Shares which would have been issued under the Bonus Issue ("**Bonus Shares**") to a person registered as holding the same number of Shares as that number of Shares to which the optionholder may subscribe for, pursuant to the exercise of those options immediately before the record date determining entitlements under the Bonus Issue (in addition to the Shares which he or she is otherwise entitled to have issued to him or her upon such exercise).
- (k) In the event of any reconstruction (including a consolidation, subdivision, reduction or return) of the issued capital of the Company prior to the expiry of any options, the number of options to which each optionholder is entitled or the exercise price of his or her options or both or any other terms will be reconstructed in a manner determined by the Board which complies with the provisions of the Listing Rules.
- (l) As at the date of this Meeting, no options have been issued under the Plan.

9 Proportional Takeovers Provisions

Proposed provisions

Resolution 9 proposes to renew existing provisions of the Constitution which have the effect that transfers of shares acquired under a proportional takeover bid will not be registered unless a resolution approving the bid is passed by holders of bid class securities.

It should be emphasised that this provision will only apply to proportional offers, that is, to takeover offers for less than 100% of each holder's holding.

The provisions will have no application at all to those takeover bids under which an offer is made for all of the securities in a class of securities.

If the provisions are renewed and a proportional takeover bid is made for securities of the Company, the Directors will be obliged to call a meeting to vote on a resolution to approve that bid. Each Shareholder 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 15 days before offers close under the bid, so that holders should know the result of the voting before they have to make up their minds whether or not to accept for their own securities.

The provisions will contain a 'sunset clause'. They will cease to operate after three years unless Shareholders resolve by special resolution to further renew them in accordance with the statutory procedure.

Current acquisition proposals

As at the day on which this statement is prepared, none of the Directors are aware of a proposal by any person to acquire, or to increase the extent of, a substantial interest in the Company.

Advantages of the proposal to Shareholders

The proposal would enable Shareholders to act in a cohesive manner and thereby avoid the coercion of Shareholders that arises where they believe the offer to be inadequate, but nevertheless accept through fear that other Shareholders will accept.

The proposal would also obviate Shareholders being coerced into accepting a 'front-end loaded bid'. Such bids were described by the Companies and Securities Law Review Committee in its report on partial takeover bids as follows:

"Experience of takeovers in overseas jurisdictions, particularly the USA, indicates that bidders may engage in what is known as "coercive front-end loaded" bids whereby they make a partial bid at a high premium for minimum effective control of a company and simultaneously indicate their intention to mount a subsequent follow-up bid for the remaining shares at a much reduced price. This puts pressure on shareholders to accept the initial bid in order to maximise their returns."

The proposal would enable Shareholders, by combining together, to veto a change of control that would lock them into a minority position.

The existence of the plebiscite machinery in the Constitution would make it more probable that any takeover bid will be a full bid for the whole shareholding of each member, so that Shareholders may have the opportunity of disposing of all their Shares rather than a proportion only.

If a proportional takeover bid should be made, the existence of the plebiscite machinery 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.

Disadvantage of the proposal to Shareholders

By placing obstacles in the way of proportional takeover bids, the proposal may tend to discourage proportional takeover bids, thus reducing the opportunity for Shareholders to sell a portion of their holding.

It is possible (though in the opinion of the Board, unlikely) that the existence of the provisions might have an adverse effect on the market value of the Company's shares by making a proportional takeover bid less likely and thereby reducing any takeover speculation element in the share price.

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.

Advantages and disadvantages of the proposal for the Directors

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.

On the other hand, under the proposal, if a proportional takeover bid is commenced, the Directors must call a meeting to seek the Shareholders' views. They must do so even if the Directors believe that the bid should be accepted.

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. Under the plebiscite machinery the most effective view on a proportional takeover bid will become the view expressed by the vote of the Shareholders themselves at the meeting.

Reasons for proposing the resolution

The reasons why the Board has proposed that the Constitution should continue to provide for a Shareholder plebiscite on proportional takeover bids are set out above as the advantages of the proposal.

The Directors consider that these advantages greatly outweigh the disadvantages stated above. They consider that the Shareholders should have the power to prevent the control of the Company from passing to a bidder 'on the cheap', i.e. without it making a bid for all the Shares. They believe that the plebiscite procedure is the best procedure available to Shareholders to ensure that they are not virtually forced to accept a proportional offer even though they do not wish the bidder to obtain control of the Company.

The Directors therefore consider the resolution to be in the interests of the Shareholders, and recommend that Shareholders adopt it.

Glossary

In this Explanatory Statement, the following terms have the following unless the context otherwise requires:

Annexure	annexure to this Explanatory Statement.
Annual General Meeting	the annual general meeting of the Company to be held at The Celtic Club, 48 Ord Street, West Perth on 21 November 2008 commencing at 10 am (WDST).
ASIC	Australian Securities and Investments Commission.
ASX	ASX Limited.
Board	board of Directors.
Company	Vital Metals Limited ACN 112 032 596.
Constitution	constitution of the Company.
Corporations Act	Corporations Act 2001 (Cth).
Director	director of the Company.
Listing Rules	Listing Rules of ASX.
Option	option to subscribe for a Share on the terms and conditions stated in the Explanatory Statement and Annexure B.
Rundel Option	an option issued to Paul Rundel or his nominee as set out in Resolution 7 of the Explanatory Statement.
Share	fully paid ordinary share in the capital of the Company.
Shareholder	shareholder of the Company.
VWAP	volume weighted average price of securities.
WDST	Western Daylight Savings Time.

Annexure A

Terms of Shares

The following is a broad summary (though not necessarily an exhaustive or definitive statement) of the rights attaching to the shares of the Company. Full details are contained in the Constitution, available for inspection at the Company's registered office.

(a) Share Capital

All issued ordinary 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 every fully paid 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.

(c) Dividend Rights

Subject to the rights of holders of shares issued with any special or preferential rights (at present there are none), the profits of the Company which the Directors may from time to time determine to distribute by way of dividend are divisible among the shareholders in proportion to the shares held by them respectively, according to the amount paid up or credited as paid up on the shares.

(d) Rights on Winding-Up

Subject to the rights of holders with shares with special rights in a winding-up (at present there are none), on a winding-up of the Company all assets which may be legally distributed amongst the members will be distributed in proportion to the shares held by them respectively, according to the amount paid up or credited as paid up on the share.

(e) Transfer of Shares

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

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

(f) Calls on Shares

Shares issued as fully paid are not subject to any calls for payment by the Company and will not therefore become liable for forfeiture.

(g) Further Increases in Capital

The allotment and issue of any new shares is under the control of the Directors and, subject to any restrictions on the allotment of shares imposed by the Constitution, 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.

(h) Variation of Rights Attaching to Shares

Where shares of different classes are issued, the rights attaching to the shares of a class can thereafter only be varied by a special resolution passed at a separate general meeting of the holders of those shares of that class, or with the written consent of the holders of at least three quarters of the issued shares of that class.

(i) General Meeting

Each shareholder 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 Listing Rules.

Annexure B

Terms of Options

- (a) Exercise Date**
The options are exercisable wholly or in part at any time before 5.00 pm WST on 30 June 2011. Options not exercised by that date shall lapse.
- (b) Exercise Price**
Each option shall entitle the option holder to acquire one fully paid ordinary share upon payment of the sum of the exercise price of \$0.40.
- (c) Transfer of Options**
The options are non-transferable.
- (d) Notice of Exercise**
Each option may be exercised by notice in writing to the Company at any time before their date of expiry. Any notice of exercise of an option received by the Company with payment in full of the exercise price will be deemed to be a notice of the exercise of that option as at the date of receipt.
- (e) Quotation of Options and Shares on Exercise**
Application will not be made to ASX for official quotation of the options. Application will be made for official quotation of the shares issued upon exercise of options. The options are not transferable except to an associate of the holder.
- (f) Participation Rights or Entitlements**
There are no participating rights or entitlements inherent in the options and option holders will not be entitled to participate in new issues of securities offered to shareholders during the currency of the options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 6 business days after the issue is announced so as to give option holders the opportunity to exercise their options before the date for determining entitlements to participate in any issue.
- (g) Shares Allotted on Exercise**
Shares allotted pursuant to the exercise of options will be allotted following receipt of all the relevant documents and payments and will rank equally with the issued shares.
- (h) Reconstruction of Share Capital**
In the event of a reconstruction (including consolidation, subdivision, reduction or return) of the issued capital of the Company, all rights of the option holder shall be reconstructed in accordance with the Listing Rules.
- (i) Bonus Issues**
If, from time to time, before the expiry of the options the Company makes a pro-rata issue of shares to shareholders for no consideration, the number of shares over which an option is exercisable will be increased by the number of shares which the option holder would have received if the option had been exercised before the date for calculating entitlements to the pro-rata issue.

Shareholder Details

Name:

Address:

Contact Telephone No:

Contact Name (if different from above):

Appointment of Proxy

I/We being a shareholder/s of _____ [full company name] and entitled to attend and vote hereby appoint

The Chairman
of the meeting

OR

Write here the name of the person you are appointing if this person is someone other than the Chairman of the Meeting.

(mark with an 'X')

or failing the person named, or if no person is named, the Chairman of the Meeting, as my/our proxy to attend and act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Annual General Meeting of Vital Metals Ltd to be held at the Celtic Club, 48 Ord Street, West Perth on 21 November 2008 at 10 a.m. WDST and at any adjournment of that meeting.

IMPORTANT

If the Chairman of the Meeting is your nominated proxy, or may be appointed by default, and you have not directed your proxy how to vote, please place a mark in this box with an 'X'. By marking this box you acknowledge that the Chairman of the Meeting may exercise your proxy even if he has an interest in the outcome of the resolutions and that votes cast by him, other than as a proxy holder, would be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes on the resolutions and your votes will not be counted in computing the required majority if a poll is called. The Chairman of the Meeting intends to vote undirected proxies in favour of each resolution.



Voting directions to your proxy – please mark to indicate your directions

Ordinary Business

		For	Against	Abstain*
Resolution 1.	Financial Statements and Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2.	Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3.	Election of William Ryan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4.	Election of Peter Knowles	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Special Business

Resolution 5.	Approval of Option Issue – Peter Knowles	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6.	Approval of Option Issue – Andy Haslam	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7.	Ratification of Previous Securities Issue	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8.	Approval of Employee Share Option Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 9.	Proportional Takeover Approval	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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

Appointment of a second proxy (see instructions overleaf)

If you wish to appoint a second proxy, state the % of your voting rights applicable to the proxy appointed by this form

 %

PLEASE SIGN HERE This section must be signed in accordance with the instructions overleaf to enable your directions to be implemented

Individual or Shareholder 1

Sole Director and
Sole Company Secretary

Shareholder 2

Director

Shareholder 3

Director/Company Secretary

How to complete this Proxy Form

Your Name and Address

Please print your name and address as it appears on your holding statement and the company's share register. If shares are jointly held, please ensure the name and address of each joint shareholder is indicated. Shareholders should advise the company of any changes. Shareholders sponsored by a broker should advise their broker of any changes. Please note, you cannot change ownership of your securities using this form.

Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a shareholder of the company.

Votes on Resolutions

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each Resolution. All your shareholding will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any Resolution 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 a given Resolution, your proxy may vote as he or she chooses. If you mark more than one box on a Resolution your vote on that Resolution will be invalid.

Appointment of a Second Proxy

You are entitled to appoint up to two persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning John Sobolewski on (61 8) 9388 7742 or you may photocopy this form.

To appoint a second proxy you must on each Proxy Form state (in the appropriate box) the percentage of your voting rights which are the subject of the relevant proxy. If both Proxy Forms do not specify that percentage, each proxy may exercise half your votes. Fractions of votes will be disregarded.

Signing Instructions

You must sign this form as follows in the spaces provided:

- | | |
|--------------------|--|
| Individual: | where the holding is in one name, the holder must sign. |
| Joint Holding: | where the holding is in more than one name, all of the shareholders should sign. |
| Power of Attorney: | to sign under Power of Attorney, you must have already lodged this document with the company's share registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it. |
| Companies: | where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place. |

If a representative of the corporation is to attend the meeting a "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate is either included in the Notice of Annual General Meeting or may be obtained from the company's share registry.

Lodgement of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at the address given below not later than 48 hours before the commencement of the meeting i.e. no later than 10 a.m. WDST on 19 November 2008. Any Proxy Form received after that time will not be valid for the scheduled meeting.

This Proxy Form (and any Power of Attorney and/or second Proxy Form) may be sent or delivered to the Company's registered office at Level 1, 335 Hay Street, Subiaco WA or sent by facsimile to the registered office on (61 8) 9388 0804.

Shareholder Details

This is to certify that by a resolution of the Directors of:

..... (Company),
Insert name of shareholder company

the Company has appointed:

.....,
Insert name of corporate representative

in accordance with the provisions of section 250D of the Corporations Act 2001, to act as the body corporate representative of that company at the meeting of the members of Vital Metals Ltd to be held on 21 November 2008 and at any adjournments of that meeting/all meetings of the members of Vital Metals Ltd.

DATED 2008

Please sign here

Executed by the Company)
in accordance with its constituent documents)

.....
Signed by authorised representative

.....
Signed by authorised representative

.....
Name of authorised representative (print)

.....
Name of authorised representative (print)

.....
Position of authorised representative (print)

.....
Position of authorised representative (print)

Instructions for Completion

1. Insert name of appointor Company and the name or position of the appointee (eg "John Smith" or "each director of the Company").
2. Execute the Certificate following the procedure required by your Constitution or other constituent documents.
3. Print the name and position (eg director) of each company officer who signs this Certificate on behalf of the company.
4. Insert the date of execution where indicated.
5. Send or deliver the Certificate to Vital Metals Ltd's registered office at Level 1, 335 Hay Street, Subiaco WA 6008 or fax the Certificate to the registered office at (61 8) 9388 0804.