
VITAL METALS LIMITED**ACN 112 032 596****NOTICE OF ANNUAL GENERAL MEETING**

TIME: 11:00 am (AEDT)
DATE: 26 November 2020
PLACE: Level 5, 56 Pitt Street, Sydney NSW 2000

The Board considers that the health, safety and welfare of the Company's staff, its Shareholders and other stakeholders to be paramount. Accordingly, the number of physical attendees at the Meeting will be limited to the maximum number of attendees permitted based on the relevant Government regulations and guidelines in force at the time of the Meeting. As it is unlikely that all Shareholders will be permitted to attend the Meeting in person should they choose to do so, the Company is pleased to provide shareholders with the opportunity to attend and participate in a virtual Meeting through an online meeting platform, where shareholders will be able to watch, listen, and vote online. Details of how to access the virtual Meeting are contained in the Notice of Meeting.

The Chair will adjourn the Meeting if the number of shareholders attending the Meeting will lead to a violation of relevant Government laws and regulations on crowds and gatherings.

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.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on (+61) 2 8823 3179.

IMPORTANT INFORMATION

TIME AND PLACE OF MEETING

Notice is given that the Annual General Meeting of the Shareholders to which this Notice of Meeting relates will be held on Thursday, 26 November 2020 at 11:00 am (AEDT).

In light of the current global outbreak of Coronavirus (COVID-19), the implementation of social distancing requirements and the restriction imposed by State Governments on gatherings of individuals and inter and intra state travel, the Board of Vital Metals Limited has decided that special arrangements will apply for the Meeting.

The Board considers that the health, safety and welfare of the Company's staff, its Shareholders, and other stakeholders to be paramount. Accordingly, the Meeting will be held virtually and will be accessible to all Shareholders via a live webcast, further details of which are set out below.

WEBCAST

The Company is pleased to provide shareholders with the opportunity to attend and participate in a virtual Meeting through an online meeting platform, where shareholders will be able to watch, listen, and vote online.

To access the virtual meeting:

1. Open your internet browser and go to investor.automic.com.au
2. Login with your username and password or click "**register**" if you haven't already created an account. **Shareholders are encouraged to create an account prior to the start of the meeting to ensure there is no delay in attending the virtual meeting**
3. After logging in, a banner will be displayed at the top once the meeting is open for registration, click on "**View**" when this appears
4. Click on "**Register**" and follow the steps
5. Click on the URL to join the webcast where you can view and listen to the virtual meeting
6. Once the Chair of the Meeting has declared the poll open for voting click on "**Refresh**" to be taken to the voting screen
7. Select your voting direction and click "**confirm**" to submit your vote. **Note that you cannot amend your vote after it has been submitted**

QUESTIONS

Shareholders will have the opportunity to submit questions during the Meeting in respect to the formal items of business to be conducted at the Meeting.

YOUR VOTE IS IMPORTANT

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

VOTING ELIGIBILITY

The Directors have determined pursuant to Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Annual General Meeting are those who are registered Shareholders at on Tuesday, 24 November 2020 at 4:00pm (AEDT).

VOTING AT THE MEETING

The passing of each Resolution arising at this Meeting will be decided by a poll. Upon a poll, every person who is present in person or by proxy, corporate representative, or attorney, will have one vote for each Share held by that person.

Ordinary resolutions require the support of more than 50% of the votes cast. Special resolutions require the support of at least 75% of the votes cast.

Shareholders are strongly urged to vote by proxy prior to the Meeting and to appoint the Chair of the Meeting as their proxy. Shareholders can complete the proxy form to provide specific instructions on how their vote is to be exercised on each Resolution. The Chair of the Meeting MUST follow the Shareholder's instructions. Instructions for voting by proxy are set out on the Proxy Form.

VOTING IN PERSON

You will be unable to vote and attend the Meeting in person. To vote online during the Meeting via the webcast, refer 'Webcast' details above.

VOTING BY PROXY

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.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast two (2) or more votes may appoint two (2) proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints two (2) proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on (+61) 2 8823 3179.

BUSINESS OF THE MEETING

The Explanatory Statement to this Notice provides additional information on matters to be considered at the Meeting. The Explanatory Statement and the Proxy Form comprise part of this Notice.

AGENDA

1. FINANCIAL STATEMENTS AND REPORTS

To receive and consider the annual financial report of the Company for the financial year ended 30 June 2020 together with the declaration of the directors, the Directors' report, the Remuneration Report and the auditor's report.

2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

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

“That, for the purpose of section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report as contained in the Company’s annual financial report for the financial year ended 30 June 2020.”

Note: the vote on this Resolution is advisory only and does not bind the Directors or the Company.

Voting Prohibition Statement:

A vote on this Resolution must not be cast (in any capacity) by or on behalf of either of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person (the **voter**) described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (a) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on this Resolution; or
- (b) the voter is the Chair and the appointment of the Chair as proxy:
 - (i) does not specify the way the proxy is to vote on this Resolution; and
 - (ii) expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

3. RESOLUTION 2 – ELECTION OF DIRECTOR – MR JAMES HENDERSON

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

“That, for the purpose of Articles 7.2(b) and 7.6(c) of the Constitution, Listing Rule 14.4 and for all other purposes, Mr James Henderson, a Director who was appointed casually on 4 August 2020, retires, and being eligible, is elected as a Director.”

4. RESOLUTION 3 – RATIFICATION OF PRIOR ISSUE OF SHARES UNDER PLACEMENT – LISTING RULE 7.1

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 7.4 and for all other purposes, Shareholders ratify the issue of 184,488,872 Shares on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion Statement:

The Company will disregard any votes cast in favour of the Resolution by or on behalf of a person who participated in the issue or is a counterparty to the agreement being approved (namely the Placement participants) or an associate of that person or those persons.

However, this does not apply to a vote cast in favour of the Resolution by:

- (a) a person as a proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the directions given to the proxy or attorney to vote on the Resolution in that way; or
- (b) the Chair as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
 - (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

5. RESOLUTION 4 – RATIFICATION OF PRIOR ISSUE OF SHARES UNDER PLACEMENT – LISTING RULE 7.1A

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 7.4 and for all other purposes, Shareholders ratify the issue of 215,511,128 Shares on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion Statement:

The Company will disregard any votes cast in favour of the Resolution by or on behalf of a person who participated in the issue or is a counterparty to the agreement being approved (namely the Placement participants) or an associate of that person or those persons.

However, this does not apply to a vote cast in favour of the Resolution by:

- (a) a person as a proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the directions given to the proxy or attorney to vote on the Resolution in that way; or
- (b) the Chair as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
 - (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

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6. RESOLUTION 5 – ADOPTION OF PERFORMANCE RIGHTS AND OPTION PLAN

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

“That, for the purposes of ASX Listing Rule 7.2 (Exception 13(b)) and for all other purposes, approval is given for the Company to adopt an employee incentive scheme titled Performance Rights and Option Plan and for the issue of securities under that Plan, on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion Statement: The Company will disregard any votes cast in favour of the Resolution by or on behalf of a person who is eligible to participate in the employee incentive scheme or an associate of that person or those persons. However, this does not apply to a vote cast in favour of the Resolution by:

- (a) a person as a proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the directions given to the proxy or attorney to vote on the Resolution in that way; or
- (b) the Chair as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
 - (ii) the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Voting Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and
 - (b) the appointment does not specify the way the proxy is to vote on this Resolution.
- However, the above prohibition does not apply if:
- (a) the proxy is the Chair; and
 - (b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

7. RESOLUTION 6 – APPROVAL OF 10% PLACEMENT CAPACITY

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

“That, for the purposes of Listing Rule 7.1A and for all other purposes, approval is given for the Company to issue up to that number of Equity Securities equal to 10% of the issued capital of the Company at the time of issue, calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions set out in the Explanatory Statement.”

8. RESOLUTION 7 – ISSUE OF OPTIONS TO DIRECTOR – MR JAMES HENDERSON

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

“That, for the purposes of Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 60,000,000 Options to Mr James Henderson (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion Statement:

The Company will disregard any votes cast in favour of the Resolution by Mr James Henderson) (or his nominee) and any other person who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reason of being a holder of ordinary securities in the Company) or an associate of that person or those persons.

However, this does not apply to a vote cast in favour of the Resolution by:

- (a) a person as a proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the directions given to the proxy or attorney to vote on the Resolution in that way; or
- (b) the Chair as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
 - (ii) the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Voting Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and
 - (b) the appointment does not specify the way the proxy is to vote on this Resolution.
- However, the above prohibition does not apply if:
- (a) the proxy is the Chair; and
 - (b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

9. RESOLUTION 8 – APPROVAL TO ISSUE OPTIONS TO MR ANTHONY HADLEY

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

“That, for the purposes of Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue 18,000,000 Options on the terms and conditions set out in the Explanatory Statement .”

Voting Exclusion Statement:

The Company will disregard any votes cast in favour of the Resolution by or on behalf of a person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the Company) (namely Mr Anthony Hadley) or an associate of that person (or those persons).

However, this does not apply to a vote cast in favour of the Resolution by:

- (a) a person as a proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the directions given to the proxy or attorney to vote on the Resolution in that way; or

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- (b) the Chair as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
 - (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
 - (ii) the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.
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Dated: 27 October 2020

By order of the Board

Louisa Martino
Company Secretary

EXPLANATORY STATEMENT

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. This Explanatory Statement should be read in conjunction with and forms part of the accompanying Notice.

1. FINANCIAL STATEMENTS AND REPORTS

In accordance with the Corporations Act, the business of the Meeting will include receipt and consideration of the annual financial report of the Company for the financial year ended 30 June 2020 together with the declaration of the Directors, the Directors' report, the Remuneration Report and the auditor's report.

The Company will not provide a hard copy of the Company's annual financial report to Shareholders unless specifically requested to do so. The Company's annual financial report is available on its website at www.vitalmetals.com.au.

2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

2.1 General

The Corporations Act requires that at a listed company's annual general meeting, a resolution that the remuneration report be adopted must be put to the shareholders. However, such a resolution is advisory only and does not bind the company or the directors of the company.

The remuneration report sets out the company's remuneration arrangements for the directors and senior management of the company. The remuneration report is part of the directors' report contained in the annual financial report of the company for a financial year.

The chair of the meeting must allow a reasonable opportunity for its shareholders to ask questions about or make comments on the remuneration report at the annual general meeting.

2.2 Voting consequences

A company is required to put to its shareholders a resolution proposing the calling of another meeting of shareholders to consider the appointment of directors of the company (**Spill Resolution**) if, at consecutive annual general meetings, at least 25% of the votes cast on a remuneration report resolution are voted against adoption of the remuneration report and at the first of those annual general meetings a Spill Resolution was not put to vote. If required, the Spill Resolution must be put to vote at the second of those annual general meetings.

If more than 50% of votes cast are in favour of the Spill Resolution, the company must convene a shareholder meeting (**Spill Meeting**) within 90 days of the second annual general meeting.

All of the directors of the company who were in office when the directors' report (as included in the company's annual financial report for the most recent financial year) was approved, other than the managing director of the company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting.

Following the Spill Meeting those persons whose election or re-election as directors of the company is approved will be the directors of the company.

2.3 Previous voting results

At the Company's previous annual general meeting the votes cast against the remuneration report considered at that annual general meeting were less than 25%. Accordingly, the Spill Resolution is not relevant for this Annual General Meeting.

3. RESOLUTION 2 – ELECTION OF DIRECTOR – MR JAMES HENDERSON

3.1 General

Article 7.6(a) of the Constitution allows the Directors to appoint at any time a person to be a Director either to fill a casual vacancy or as an addition to the existing Directors, but only where the total number of Directors does not at any time exceed the maximum number specified by the Constitution.

Pursuant to Article 7.6(c) of the Constitution and Listing Rule 14.4, any Director so appointed holds office only until the next following annual general meeting and is then eligible for election by Shareholders.

In addition, pursuant to Article 7.2(b) of the Constitution, there must be an election of Directors at each annual general meeting of the Company. This can be satisfied by, among other things, any Director who was appointed under Article 7.6 standing for election as a Director.

Mr James Henderson, having been appointed by other Directors on 4 August 2020 in accordance with the Constitution, will retire in accordance with the Constitution and Listing Rule 14.4 and being eligible, seeks election from Shareholders.

3.2 Qualifications and other material directorships

Mr Henderson has over 35 years' experience in providing financial advisory services in Australia and overseas across a wide range of industries including mining, medical devices, aged care, clean energy and natural resources.

Mr Henderson specialises in providing advice to emerging companies relating to corporate transactions and strategies, including corporate advice, financial and corporate structuring, capital raisings and commercial negotiations.

Mr Henderson is currently Executive Chairman of Transocean Group Pty Ltd, a corporate advisory and private equity group focused on the emerging company market.

Mr Henderson has led teams on a variety of transactions including mergers, acquisitions, dispositions, takeovers, and capital raisings particularly in Australia, Canada, the USA and Africa and was a founding shareholder in Cheetah Resources Pty Ltd. Mr Henderson is also a Non-Executive Director of Compass Gold Corporation (TSX-V:CVB).

3.3 Independence

If elected the Board considers Mr Henderson will not be an independent Director.

3.4 Other material information

The Company conducts appropriate checks on the background and experience of candidates before their appointment to the Board. These include checks as to a person's experience, educational qualifications, character, criminal record and

bankruptcy history. The Company undertook such checks prior to the appointment of Mr Henderson and no material information was revealed.

3.5 Board recommendation

The Board has reviewed Mr Henderson's performance since his appointment to the Board and considers that Mr Henderson's skills and experience will continue to enhance the Board's ability to perform its role. Accordingly, the Board supports the election of Mr Henderson and recommends that Shareholders vote in favour of Resolution 2.

4. RESOLUTIONS 3 AND 4 – RATIFICATION OF PRIOR SHARE ISSUES UNDER PLACEMENT

4.1 Overview

On 28 September 2020, the Company announced a placement to raise \$8,000,000 (before costs) through the issue of 400,000,000 Shares at an issue price of \$0.2 per Share to unrelated parties of the Company (**Placement**).

On 1 October 2020, the Company issued 400,000,000 Shares as follows:

- (a) 184,488,872 Shares were issued pursuant to the Company's capacity under Listing Rule 7.1 (being, the subject of Resolution 3); and
- (b) 215,511,128 Shares were issued pursuant to the Company's 7.1A mandate which was approved by Shareholders at the annual general meeting held on 21 November 2019 (being, the subject of Resolution 4),

(together, the **Placement Shares**).

The Company engaged the services of Canaccord Genuity (Australia) Limited (ACN 075 071 466) (**Canaccord**) to act as lead manager to manage the issue of the Placement Shares and act as broker and sole book runner to the Company in connection with the Placement. The Company paid Canaccord a fee of \$480,000 in cash (being, 6% of the gross proceeds raised under the Placement) (comprising a capital raising fee of 4% and a management fee of 2%) in consideration for services provided in respect of the Placement. A summary of the terms and conditions of the mandate entered into with Canaccord (the **Lead Manager Mandate**) is set out in Schedule 5.

Canaccord engaged the services of Peloton Capital Pty Ltd (ACN 149 540 018) (**Peloton**) to assist with the Placement. Peloton was paid a fee of \$100,000 (being, 5% of the total amount raised by Peloton under the Placement (\$2,000,000) by Canaccord).

Resolutions 3 and 4 seek Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of the Placement Shares.

4.2 Listing Rules 7.1 and 7.1A

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid ordinary securities it had on issue at the start of that 12 month period.

Under Listing Rule 7.1A however, an eligible entity can seek approval from its members, by way of a special resolution passed at its annual general meeting, to increase this 15% limit by an extra 10% to 25%.

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The Company obtained approval to increase its limit to 25% at the annual general meeting held on 21 November 2019. The Company's ability to utilise the additional 10% capacity provided for in Listing Rule 7.1A for issues of equity securities following this Meeting remains conditional on Resolution 6 being passed by the requisite majority at this Meeting.

The issue of the Placement Shares does not fit within any of the exceptions set out in Listing Rule 7.2 and, as it has not yet been approved by Shareholders, it effectively uses up part of the 25% limit in Listing Rules 7.1 and 7.1A, reducing the Company's capacity to issue further equity securities without Shareholder approval under Listing Rule 7.1 and 7.1A for the 12 month period following the date of issue of the Placement Shares.

4.3 ASX Listing Rule 7.4

Listing Rule 7.4 allows the shareholders of a listed company to approve an issue of equity securities after it has been made or agreed to be made. If they do, the issue is taken to have been approved under Listing Rule 7.1 and so does not reduce the company's capacity to issue further equity securities without shareholder approval under that rule.

The Company wishes to retain as much flexibility as possible to issue additional equity securities in the future without having to obtain Shareholder approval for such issues under Listing Rule 7.1. Accordingly, the Company is seeking Shareholder ratification pursuant to Listing Rule 7.4 for the issue of the Placement Shares.

Resolutions 3 and 4 seek Shareholder ratification pursuant to Listing Rule 7.4 for the issue of the Placement Shares.

4.4 Technical information required by Listing Rule 14.1A

If Resolutions 3 and 4 are passed, the Placement Shares will be excluded in calculating the Company's combined 25% limit in Listing Rules 7.1 and 7.1A, effectively increasing the number of equity securities the Company can issue without Shareholder approval over the 12 month period following the date of issue of the Placement Shares.

If Resolutions 3 and 4 are not passed, the Placement Shares will be included in calculating the Company's combined 25% limit in Listing Rules 7.1 and 7.1A, effectively decreasing the number of equity securities that the Company can issue without Shareholder approval over the 12 month period following the date of issue of the Placement Shares.

It is noted that the Company's ability to utilise the additional 10% capacity provided for in Listing Rule 7.1A for issues of equity securities following this Meeting remains conditional on Resolution 6 being passed at this Meeting.

4.5 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 3 and 4:

- (a) the Placement Shares were issued to institutional and sophisticated investors who are clients of Canaccord and Peloton. The recipients were identified through a bookbuild process, which involved Canaccord and Peloton seeking expressions of interest to participate in the capital raising from non-related parties of the Company. None of these subscribers are related parties of the Company; and

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- (b) in accordance with paragraph 7.4 of ASX Guidance Note 21, the Company confirms that none of the recipients were:
 - (i) related parties of the Company, members of the Company's Key Management Personnel, substantial holders of the Company, advisers of the Company or an associate of any of these parties; and
 - (ii) issued more than 1% of the issued capital of the Company;
 - (c) 400,000,000 Placement Shares were issued on the following basis:
 - (i) 184,488,872 Shares were issued pursuant to Listing Rule 7.1 (ratification of which is sought under Resolution 3); and
 - (ii) 215,511,128 Shares were issued pursuant to Listing Rule 7.1A (ratification of which is sought under Resolution 4);
 - (d) the Placement 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;
 - (e) the Placement Shares were issued on 1 October 2020;
 - (f) the issue price was \$0.02 per Placement Share under both the issues of Shares pursuant to Listing Rule 7.1 and Listing Rule 7.1A. The Company has not and will not receive any other consideration for the issue of the Placement Shares;
 - (g) the purpose of the issue of the Placement Shares was to raise \$8,000,000 (before costs), which will be applied towards progressing the Company commencing processing operations in Q2 CY2021 including completing the purchase of the ore sorter, sampling and met test work, extraction plant EPCM and for general working capital;
 - (h) the Placement Shares were not issued under an agreement; and
 - (i) a voting exclusion statement is included in Resolutions 3 and 4.

5. RESOLUTION 5 – ADOPTION OF PERFORMANCE RIGHTS AND OPTION PLAN

5.1 General

Resolution 5 seeks Shareholder approval for the adoption of the employee incentive scheme titled "Incentive Performance Rights and Options Plan" (**Plan**) and for the issue of Performance Rights and Options under the Plan in accordance with Listing Rule 7.2 (Exception 13(b)).

The objective of the Plan is to attract, motivate and retain key employees and the Company considers that the adoption of the Plan and the future issue of Performance Rights or Options under the Plan will provide selected employees with the opportunity to participate in the future growth of the Company.

As summarised in Section Listing Rules 7.1 and 7.1A above, Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid ordinary shares it had on issue at the start of that period.]

Listing Rule 7.2 (Exception 13(b)) provides that Listing Rule 7.1 does not apply to an issue of securities under an employee incentive scheme if, within three years before the date of issue of the securities, the holders of the entity's ordinary securities have approved the issue of equity securities under the scheme as exception to Listing Rule 7.1.

Exception 13(b) is only available if and to the extent that the number of equity securities issued under the scheme does not exceed the maximum number set out in the entity's notice of meeting dispatched to shareholders in respect of the meeting at which shareholder approval was obtained pursuant to Listing Rule 7.2 (Exception 13(b)). Exception 13(b) also ceases to be available if there is a material change to the terms of the scheme from those set out in the notice of meeting.

If Resolution 5 is passed, the Company will be able to issue Performance Rights and Options under the Plan to eligible participants over a period of 3 years. The issue of any Performance Rights or Options to eligible participants under the Plan (up to the maximum number of Securities stated in Section 5.2(c) below) will be excluded from the calculation of the number of equity securities that the Company can issue without Shareholder approval under Listing Rule 7.1.

For the avoidance of doubt, the Company must seek Shareholder approval under Listing Rule 10.14 in respect of any future issues of Performance Rights or Options under the Plan to a related party or a person whose relationship with the company or the related party is, in ASX's opinion, such that approval should be obtained.

If Resolution 5 is not passed, the Company will be able to proceed with the issue of Performance Rights and Options under the Plan to eligible participants, but any issues of Performance Rights or Options will reduce, to that extent, the Company's capacity to issue equity securities without Shareholder approval under Listing Rule 7.1 for the 12 month period following the issue of the Performance Rights or Options.

5.2 Technical information required by Listing Rule 7.2 (Exception 13)

Pursuant to and in accordance with Listing Rule 7.2 (Exception 13), the following information is provided in relation to Resolution 5:

- (a) a summary of the key terms and conditions of the Plan is set out in Schedule 1;
- (b) the Company has not issued any Performance Rights or Options under the Plan as this is the first time that Shareholder approval is being sought for the adoption of the Plan; and
- (c) the maximum number of Securities proposed to be issued under the Plan, following Shareholder approval, is 255,522,128 Securities. It is not envisaged that the maximum number of Securities for which approval is sought will be issued immediately.

6. RESOLUTION 6 – APPROVAL OF 10% PLACEMENT CAPACITY

6.1 General

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of Equity Securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid ordinary securities it had on issue at the start of that period.

However, under Listing Rule 7.1A, an eligible entity may seek shareholder approval by way of a special resolution passed at its annual general meeting to increase this 15% limit by an extra 10% to 25% (**7.1A Mandate**).

An 'eligible entity' means an entity which is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300,000,000 or less. The Company is an eligible entity for these purposes.

Resolution 6 seeks Shareholder approval by way of special resolution for the Company to have the additional 10% placement capacity provided for in Listing Rule 7.1A to issue Equity Securities without Shareholder approval.

If Resolution 6 is passed, the Company will be able to issue Equity Securities up to the combined 25% limit in Listing Rules 7.1 and 7.1A without any further Shareholder approval.

If Resolution 6 is not passed, the Company will not be able to access the additional 10% capacity to issue Equity Securities without Shareholder approval under Listing Rule 7.1A, and will remain subject to the 15% limit on issuing Equity Securities without Shareholder approval set out in Listing Rule 7.1.

6.2 Technical information required by Listing Rule 7.1A

Pursuant to and in accordance with Listing Rule 7.3A, the information below is provided in relation to this Resolution 6:

(a) Period for which the 7.1A Mandate is valid

The 7.1A Mandate will commence on the date of the Meeting and expire on the first to occur of the following:

- (i) the date that is 12 months after the date of this Meeting;
- (ii) the time and date of the Company's next annual general meeting; and
- (iii) the time and date of approval by Shareholders of any transaction under Listing Rule 11.1.2 (a significant change in the nature or scale of activities) or Listing Rule 11.2 (disposal of the main undertaking).

(b) Minimum Price

Any Equity Securities issued under the 7.1A Mandate must be in an existing quoted class of Equity Securities and be issued at a minimum price of 75% of the volume weighted average price of Equity Securities in that class, calculated over the 15 trading days on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed by the entity and the recipient of the Equity Securities; or
- (ii) if the Equity Securities are not issued within 10 trading days of the date in Section 6.2(b)(i), the date on which the Equity Securities are issued.

(c) **Use of funds raised under the 7.1A Mandate**

The Company intends to use funds raised from issues of Equity Securities under the 7.1A Mandate for the acquisition of new resources, assets and investments (including expenses associated with such an acquisition), continued exploration expenditure on the Company's current assets, ongoing project administration and for general working capital.

(d) **Risk of Economic and Voting Dilution**

Any issue of Equity Securities under the 7.1A Mandate will dilute the interests of Shareholders who do not receive any Shares under the issue.

If Resolution 6 is approved by Shareholders and the Company issues the maximum number of Equity Securities available under the 7.1A Mandate, the economic and voting dilution of existing Shares would be as shown in the table below.

The table below shows the dilution of existing Shareholders calculated in accordance with the formula outlined in Listing Rule 7.1A.2, on the basis of the closing market price of Shares and the number of Equity Securities on issue as at 2 October 2020.

The table also shows the voting dilution impact where the number of Shares on issue (Variable A in the formula) changes and the economic dilution where there are changes in the issue price of Shares issued under the 7.1A Mandate.

Number of Shares on Issue (Variable A in Listing Rule 7.1A.2)		Shares issued - 10% voting dilution	Dilution		
			Issue Price		
			\$0.015	\$0.029	\$0.04
			50% decrease	Issue Price	50% increase
		Funds Raised			
Current	2,555,111,289 Shares	255,511,128 Shares	\$3,704,911	\$7,409,822	\$11,114,734
50% increase	3,832,666,934 Shares	383,266,693 Shares	\$5,557,367	\$11,114,734	\$16,672,101
100% increase	5,110,222,578 Shares	511,022,257 Shares	\$7,409,822	\$14,819,645	\$22,229,468

*The number of Shares on issue (Variable A in the formula) could increase as a result of the issue of Shares that do not require Shareholder approval (such as under a pro-rata rights issue or scrip issued under a takeover offer) or that are issued with Shareholder approval under Listing Rule 7.1.

The table above uses the following assumptions:

1. There are currently 2,555,111,289 Shares as at the date of this Notice of Meeting;
2. The issue price set out above is the closing market price of the Shares on the ASX on 2 October 2020;
3. The Company issues the maximum possible number of Equity Securities under the 7.1A Mandate.
4. The Company has not issued any Equity Securities in the 12 months prior to the Meeting that were not issued under an exception in Listing Rule 7.2 or with approval under Listing Rule 7.1.
5. The issue of Equity Securities under the 7.1A Mandate consists only of Shares. It is assumed that no Options are exercised into Shares before the date of issue of the Equity Securities.

6. The calculations above do not show the dilution that any one particular Shareholder will be subject to. All Shareholders should consider the dilution caused to their own shareholding depending on their specific circumstances.
7. This table does not set out any dilution pursuant to approvals under Listing Rule 7.1 unless otherwise disclosed.
8. The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
9. The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 7.1A mandate, based on that Shareholder's holding at the date of the Meeting.

Shareholders should note that there is a risk that:

- (i) the market price for the Company's Shares may be significantly lower on the issue date than on the date of the Meeting; and
- (ii) the Shares may be issued at a price that is at a discount to the market price for those Shares on the date of issue.

(e) **Allocation policy under the 7.1A Mandate**

The recipients of the Equity Securities to be issued under the 7.1A Mandate have not yet been determined. However, the recipients of Equity Securities could consist of current Shareholders or new investors (or both), none of whom will be related parties of the Company.

The Company will determine the recipients at the time of the issue under the 7.1A Mandate, having regard to the following factors:

- (i) the purpose of the issue;
- (ii) alternative methods for raising funds available to the Company at that time, including, but not limited to, an entitlement issue, share purchase plan, placement or other offer where existing Shareholders may participate;
- (iii) the effect of the issue of the Equity Securities on the control of the Company;
- (iv) the circumstances of the Company, including, but not limited to, the financial position and solvency of the Company;
- (v) prevailing market conditions; and
- (i) advice from corporate, financial and broking advisers (if applicable).

(f) **Previous approval under ASX Listing Rule 7.1A**

The Company previously obtained approval from its Shareholders pursuant to Listing Rule 7.1A at its annual general meeting held on 21 November 2019 (**Previous Approval**).

During the 12-month period preceding the date of the Meeting, being on and from 26 November 2019, the Company issued 215,511,128 Shares pursuant to the Previous Approval (**Previous Issue**), which represents approximately 6.28% of the total diluted number of Equity Securities on issue in the Company on 26 November 2019, which was 3,433,709,781.

The following information is provided in accordance with Listing Rule 7.3A.6(b) in respect of the Previous Issue:

Date of Issue and Appendix 2A	Date of Issue: 2 October 2020 Date of Appendix 2A: 2 October 2020
Recipients	Professional and sophisticated investors as part of a placement announced on 28 September 2020. The placement participants were identified through a bookbuild process, which involved Canaccord and Peloton seeking expressions of interest to participate in the placement from non-related parties of the Company.
Number and Class of Equity Securities Issued	215,511,128 Shares ²
Issue Price and discount to Market Price¹ (if any)	\$0.02 per Share (at a discount 31% to Market Price).
Total Cash Consideration and Use of Funds	Amount raised: \$4,310,222 Amount spent: Nil Use of funds: Not applicable Amount remaining: \$4,310,222 Proposed use of remaining funds⁴: applied towards the Company commencing processing operations in Q2 CY2021 including completing the purchase of the ore sorter, sampling and met testwork, extraction plant EPCM and for general working capital.

Notes:

1. Market Price means the closing price of Shares on ASX (excluding special crossings, overnight sales and exchange traded option exercises). For the purposes of this table the discount is calculated on the Market Price on the last trading day on which a sale was recorded prior to the date of issue of the relevant Equity Securities.
2. Fully paid ordinary shares in the capital of the Company, ASX Code: VML (terms are set out in the Constitution).
3. This is a statement of current intentions as at the date of this Notice. As with any budget, intervening events and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board reserves the right to alter the way the funds are applied on this basis.

6.3 Voting Exclusion Statement

As at the date of this Notice, the Company is not proposing to make an issue of Equity Securities under Listing Rule 7.1A. Accordingly, a voting exclusion statement is not included in this Notice.

7. RESOLUTION 7 – ISSUE OF OPTIONS TO DIRECTOR – MR JAMES HENDERSON

7.1 General

The Company has agreed, subject to Shareholder approval, to issue 60,000,000 Options to Mr James Henderson (or his nominee) on the terms and conditions set out below (**Director Options**).

Resolution 7 seeks Shareholder approval for the issue of the Director Options to Mr James Henderson (or his nominee).

7.2 Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act requires that for a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (a) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The issue of the Director Options to Mr Henderson (or his nominee) constitutes giving a financial benefit and Mr Henderson is a related party of the Company by virtue of being a Director.

The Directors (other than Mr Henderson) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the issue of Director Options, because the agreement to issue the Director Options, reached as part of the remuneration package for Mr Henderson, is considered reasonable remuneration in the circumstances and was negotiated on an arm's length basis.

7.3 Listing Rule 10.11

Listing Rule 10.11 provides that unless one of the exceptions in Listing Rule 10.12 applies, a listed company must not issue or agree to issue equity securities to:

- 10.11.1 a related party;
- 10.11.2 a person who is, or was at any time in the 6 months before the issue or agreement, a substantial (30%+) holder in the company;
- 10.11.3 a person who is, or was at any time in the 6 months before the issue or agreement, a substantial (10%+) holder in the company and who has nominated a director to the board of the company pursuant to a relevant agreement which gives them a right or expectation to do so;
- 10.11.4 an associate of a person referred to in Listing Rules 10.11.1 to 10.11.3; or
- 10.11.5 a person whose relationship with the company or a person referred to in Listing Rules 10.11.1 to 10.11.4 is such that, in ASX's opinion, the issue or agreement should be approved by its shareholders,

unless it obtains the approval of its shareholders.

The issue of Options falls within Listing Rule 10.11.1 and does not fall within any of the exceptions in Listing Rule 10.12. It therefore requires the approval of Shareholders under Listing Rule 10.11.

Resolution 7 seeks the required Shareholder approval for the issue of the Director Options under and for the purposes of Listing Rule 10.11.

7.4 Technical information required by Listing Rule 14.1A

If Resolution 7 is passed, the Company will be able to proceed with the issue of the Director Options to Mr Henderson within one month after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the Listing Rules). As approval pursuant to Listing Rule 7.1 is not required for the issue of the Options (because approval is being obtained under Listing Rule 10.11), the issue of the Director Options will not use up any of the Company's 15% annual placement capacity.

If Resolution 7 is not passed, the Company will not be able to proceed with the issue of the Director Options to Mr Henderson and may need to further remunerate Mr Henderson through other means (such as cash).

7.5 Technical information required by Listing Rule 10.13

Pursuant to and in accordance with the requirements of Listing Rule 10.13, the following information is provided in relation to Resolution 7:

- (a) the Director Options will be issued to Mr James Henderson (or his nominee), who falls within the category set out in Listing Rule 10.11.1 as Mr Henderson is a related party of the Company by virtue of being a Director;
- (b) the maximum number of Director Options to be issued is 60,000,000;
- (c) the terms and conditions of the Director Options are set out in Schedule 2;
- (d) the Options will be issued no later than 1 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 issue of the Options will occur on the same date;
- (e) the issue price of the Options will be nil. The Company will not receive any other consideration in respect of the issue of the Options (other than in respect of funds received on exercise of the Options);
- (f) the purpose of the issue of the Options is to provide a performance linked incentive component in the remuneration package for Mr Henderson to motivate and reward his performance as a Director and to provide cost effective remuneration to Mr Henderson, enabling the Company to spend a greater proportion of its cash reserves on its operations than it would if alternative cash forms of remuneration were given to Mr Henderson;
- (g) the current total remuneration package for Mr Henderson is \$40,000, comprising of Directors' fees of \$40,000. If the Director Options are issued, the total remuneration package of Mr Henderson will increase by \$1,670,485 to \$1,710,485, being the value of the Director Options (based on the Black Scholes methodology); and
- (h) the Director Options are not being issued under an agreement.

8. RESOLUTION 8 – APPROVAL TO ISSUE OPTIONS TO MR ANTHONY HADLEY

8.1 General

The Company is proposing to issue 18,000,000 Options to Mr Anthony Hadley as part of his remuneration package for services provided to the Company by Mr Hadley pursuant to his role as Chief Operating Officer of the Company (**Incentive Options**).

Resolution 8 seeks Shareholder approval for the issue of the Incentive Options to Mr Hadley (or his nominee).

8.2 Listing Rule 7.1

As summarised in Section 4.2 above, Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid ordinary shares it had on issue at the start of that period.

The proposed issue of the Incentive Options does not fall within any of the exceptions set out in Listing Rule 7.2. While the issue does not exceed the 15% limit in Listing Rule 7.1 and can therefore be made without breaching that rule, the Company wishes to retain as much flexibility as possible to issue additional equity securities in the future without having to obtain Shareholder approval under Listing Rule 7.1. Accordingly, the Company is seeking Shareholder approval pursuant to Listing Rule 7.1 so that it does not use up any of its 15% placement capacity under Listing Rule 7.1.

8.3 Technical information required by Listing Rule 14.1A

If Resolution 8 is passed, the Company will be able to proceed with the issue of the Incentive Options. In addition, the issue of the Incentive Options will be excluded from the calculation of the number of equity securities that the Company can issue without Shareholder approval under Listing Rule 7.1.

If Resolution 8 is not passed, the issue of the Incentive Options can still proceed but it will reduce, to that extent, the Company's capacity to issue equity securities without Shareholder approval under Listing Rule 7.1 for 12 months following the issue.

Resolution 8 seeks Shareholder approval for the purposes of Listing Rule 7.1 for the issue of the Incentive Options.

8.4 Technical information required by Listing Rule 7.1

Pursuant to and in accordance with Listing Rule 7.3, the following information is provided in relation to Resolution 8:

- (a) the Incentive Options will be issued to Mr Anthony Hadley (or his nominee). Mr Hadley is Chief Operating Officer of the Company;
- (b) the maximum number of Incentive Options to be issued is 18,000,000. The terms and conditions of the Incentive Options are set out in Schedule 3;
- (c) the Incentive 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 Listing Rules) and it is intended that issue of the Incentive Options will occur on the same date;

- (d) the Incentive Options will be issued at a nil issue price, in consideration for services provided by Mr Hadley to the Company pursuant to his role as Chief Operating Officer;
- (e) the purpose of the issue of the Incentive Options is to provide an incentive component in the remuneration of Mr Hadley for services provided as Chief Operating Officer pursuant to the executive services agreement entered into between the Company and Mr Hadley (**Executive Services Agreement**);
- (f) the Incentive Options are being issued to Mr Hadley under the Executive Services Agreement. A summary of the material terms of the Executive Services Agreement is set out in Schedule 5; and
- (g) the Incentive Options are not being issued under, or to fund, a reverse takeover.

GLOSSARY

\$ means Australian dollars.

7.1A Mandate has the meaning given in Section 6.1.

AEDT means Australian Eastern Daylight Time.

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

Article means an article of the Constitution.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires

Board means the current board of directors of the Company.

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.

Chair means the chair the Meeting.

Class Order means ASIC Class Order 14/1000 as amended or replaced.

Closely Related Party of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- (e) a company the member controls; or
- (f) a person prescribed by the Corporations Regulations 2001 (Cth) for the purposes of the definition of 'closely related party' in the Corporations Act.

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

Constitution means the Company's constitution.

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

Directors means the current directors of the Company.

Equity Securities includes a Share, a right to a Share or Option, an Option, a convertible security and any security that ASX decides to classify as an Equity Security.

Explanatory Statement means the explanatory statement accompanying the Notice.

Key Management Personnel has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority

and responsibility for planning, directing and controlling the activities of the Company, or if the Company is part of a consolidated entity, of the consolidated entity, directly or indirectly, including any Director (whether executive or otherwise) of the Company, or if the Company is part of a consolidated entity, of an entity within the consolidated group.

Listing Rules means the listing rules of ASX.

Notice or **Notice of Meeting** means this notice of meeting including the Explanatory Statement and the Proxy Form **Option** means an option to acquire a Share.

Optionholder means a holder of an Option.

Placement has the meaning given to that term in Section 4.1.

Proxy Form means the proxy form accompanying the Notice.

Remuneration Report means the remuneration report set out in the Director's report section of the Company's annual financial report for the year ended 30 June 2020.

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

Schedule means a schedule to the Notice.

Section means a section of the Explanatory Statement.

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

Shareholder means a holder of a Share.

Trading Day has the meaning given in the Listing Rules.

Variable A means "A" as set out in the formula in Listing Rule 7.1A.2.

VWAP means volume weighted average market price.

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

SCHEDULE 1 – TERMS AND CONDITIONS OF PERFORMANCE RIGHTS AND OPTIONS PLAN

The material terms and conditions of the Performance Rights and Options Plan (**Plan**) are as follows:

- (a) **Eligibility:** Participants in the Plan may be:
- (i) a Director (whether executive or non-executive) of the Company and any Associated Body Corporate of the Company (each, a **Group Company**);
 - (i) a full or part time employee of any Group Company;
 - (ii) a casual employee or contractor of a Group Company to the extent permitted by ASIC Class Order 14/1000 as amended or replaced (**Class Order**); or
 - (iii) a prospective participant, being a person to whom the offer is made but who can only accept the offer if an arrangement has been entered into that will result in the person becoming a participant under subparagraphs (i), (ii), or (iii) above,
- who is declared by the Board to be eligible to receive grants of Options or Performance Rights (**Awards**) under the Plan (**Eligible Participant**).
- (b) **Offer:** The Board may, from time to time, in its absolute discretion, make a written offer to any Eligible Participant to apply for Awards, upon the terms set out in the Plan and upon such additional terms and conditions as the Board determines.
- (c) **Plan limit:** The Company must have reasonable grounds to believe, when making an offer, that the number of Shares to be received on exercise of Awards offered under an offer, when aggregated with the number of Shares issued or that may be issued as a result of offers made in reliance on the Class Order at any time during the previous 3 year period under an employee incentive scheme covered by the Class Order or an ASIC exempt arrangement of a similar kind to an employee incentive scheme, will not exceed 5% of the total number of Shares on issue at the date of the offer.
- (d) **Issue price:** Performance Rights granted under the Plan will be issued for nil cash consideration. Unless the Options are quoted on the ASX, Options issued under the Plan will be issued for no more than nominal cash consideration.
- (e) **Exercise price:** The Board may determine the Option exercise price (if any) for an Option offered under that Offer in its absolute discretion. To the extent the Listing Rules specify or require a minimum price, the Option exercise price must not be less than any minimum price specified in the Listing Rules.
- (f) **Vesting conditions:** An Award may be made subject to vesting conditions as determined by the Board in its discretion and as specified in the offer for the Awards (**Vesting Conditions**).
- (g) **Vesting:** The Board may in its absolute discretion (except in respect of a change of control occurring where Vesting Conditions are deemed to be automatically waived) by written notice to a Participant (being an Eligible Participant to whom Awards have been granted under the Plan or their nominee where the Awards have been granted to the nominee of the Eligible Participant (**Relevant Person**)), resolve to waive any of the Vesting Conditions applying to Awards due to:

- (i) special circumstances arising in relation to a Relevant Person in respect of those Awards, being:
 - (A) a Relevant Person ceasing to be an Eligible Participant due to:
 - (I) death or total or permanent disability of a Relevant Person; or
 - (II) retirement or redundancy of a Relevant Person;
 - (B) a Relevant Person suffering severe financial hardship;
 - (C) any other circumstance stated to constitute "special circumstances" in the terms of the relevant offer made to and accepted by the Participant; or
 - (D) any other circumstances determined by the Board at any time (whether before or after the offer) and notified to the relevant Participant which circumstances may relate to the Participant, a class of Participant, including the Participant or particular circumstances or class of circumstances applying to the Participant,
- (Special Circumstances), or
- (ii) a change of control occurring; or
- (iii) the Company passing a resolution for voluntary winding up, or an order is made for the compulsory winding up of the Company.

(h) **Cashless Exercise Facility:** In lieu of paying the aggregate Option exercise price to purchase Shares, an Eligible Participant may elect to receive, without payment of cash or other consideration, upon surrender of the applicable portion of exercisable Options to the Company, a number of Shares determined in accordance with the following formula (**Cashless Exercise Facility**):

$$A = \frac{B (C - D)}{C}$$

where:

A = the number of Shares (rounded down to the nearest whole number) to be issued to the Optionholder;

B = the number of Shares otherwise issuable upon the exercise of the Options or portion of the Options being exercised;

C = the Market Value of one Share determined as of the date of delivery to the company secretary; and

D = the Option exercise price.

For the purposes of this Section, **Market Value** means, at any given date, the volume weighted average price per Share traded on the ASX over the five (5) trading days immediately preceding that given date, unless otherwise specified in an Offer.

(i) **Lapse of an Award:** An Award will lapse upon the earlier to occur of:

- (i) an unauthorised dealing, or hedging of, the Award occurring;
 - (ii) a Vesting Condition in relation to the Award is not satisfied by its due date, or becomes incapable of satisfaction, as determined by the Board in its absolute discretion, unless the Board exercises its discretion to vest the Award in the circumstances set out in paragraph (g) or the Board resolves, in its absolute discretion, to allow the unvested Awards to remain unvested after the Relevant Person ceases to be an Eligible Participant;
 - (iii) in respect of unvested Awards only, a Relevant Person ceases to be an Eligible Participant, unless the Board exercises its discretion to vest the Award in the circumstances set out in paragraph (g) or the Board resolves, in its absolute discretion, to allow the unvested Awards to remain unvested after the Relevant Person ceases to be an Eligible Participant;
 - (iv) in respect of vested Awards only, a Relevant Person ceases to be an Eligible Participant and the Award granted in respect of that Relevant Person is not exercised within a one (1) month period (or such later date as the Board determines) of the date that person ceases to be an Eligible Participant;
 - (v) the Board deems that an Award lapses due to fraud, dishonesty or other improper behaviour of the Eligible Participant;
 - (vi) the Company undergoes a change of control or a winding up resolution or order is made and the Board does not exercise its discretion to vest the Award; and
 - (vii) the expiry date of the Award.
- (j) **Not transferrable:** Subject to the Listing Rules, Awards are only transferrable in Special Circumstances with the prior written consent of the Board (which may be withheld in its absolute discretion) or by force of law upon death, to the Participant's legal personal representative or upon bankruptcy to the participant's trustee in bankruptcy.
- (k) **Shares:** Shares resulting from the exercise of the Awards shall, subject to any Sale Restrictions (refer paragraph (l)) from the date of issue, rank on equal terms with all other Shares on issue.
- (l) **Sale restrictions:** The Board may, in its discretion, determine at any time up until exercise of Awards, that a restriction period will apply to some or all of the Shares issued to a Participant on exercise of those Awards (**Restriction Period**). In addition, the Board may, in its sole discretion, having regard to the circumstances at the time, waive any such Restriction Period.
- (m) **Quotation of Shares:** If Shares of the same class as those issued under the Plan are quoted on the ASX, the Company will, subject to the Listing Rules, apply to the ASX for those Shares to be quoted on ASX within 5 business days of the later of the date the Shares are issued and the date any Restriction Period applying to the Shares ends.
- (n) **No participation rights:** There are no participation rights or entitlements inherent in the Awards and Participants will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Awards without exercising the Award.

- (o) **Change in exercise price of number of underlying securities:** An Award does not confer the right to a change in exercise price or in the number of underlying Shares over which the Award can be exercised.
- (p) **Reorganisation:** If, at any time, the issued capital of the Company is reorganised (including consolidation, subdivision, reduction or return), all rights of a Participant are to be changed in a manner consistent with the Corporations Act and the Listing Rules at the time of the reorganisation.
- (q) **Amendments:** Subject to express restrictions set out in the Plan and complying with the Corporations Act, Listing Rules and any other applicable law, the Board may, at any time, by resolution amend or add to all or any of the provisions of the Plan, or the terms or conditions of any Award granted under the Plan including giving any amendment retrospective effect.

SCHEDULE 2 – TERMS AND CONDITIONS OF DIRECTOR OPTIONS

(a) **Issue**

The Options shall be issued in three classes:

- (i) **Tranche 1:** 20,000,000 Options (**Tranche 1 Options**);
- (ii) **Tranche 2:** 20,000,000 Options (**Tranche 2 Options**); and
- (iii) **Tranche 3:** 20,000,000 Options (**Tranche 3 Options**).

(b) **Entitlement**

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

(c) **Exercise Price**

Subject to paragraph (j), the amount payable upon exercise of the Options is as follows:

- (i) **Tranche 1:** \$0.02 per Tranche 1 Option;
- (ii) **Tranche 2:** \$0.025 per Tranche 2 Option; and
- (iii) **Tranche 3:** \$0.030 per Tranche 3 Option,

(each, an **Exercise Price**).

(d) **Expiry Date**

Each Option will expire at 5:00 pm (WST) on 22 October 2024 (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(e) **Exercise Period**

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

(f) **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.

(g) **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**).

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

Within five 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 (h)(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.

(i) **Shares issued on exercise**

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

(j) **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.

(k) **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.

(l) **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.

(m) **Transferability**

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

SCHEDULE 3 – TERMS AND CONDITIONS OF INCENTIVE OPTIONS

(a) **Vesting Conditions**

Subject to paragraph (b), the Options shall vest in three tranches:

- (i) **Tranche 1:** 6,000,000 Options on the date that is 12 months from the date of issue of the Options (**Tranche 1 Options**);
- (ii) **Tranche 2:** 6,000,000 Options on the date that is 24 months from the date of issue the Options (**Tranche 2 Options**); and
- (iii) **Tranche 3:** 6,000,000 Options on the date that is 36 months from the date of issue the Options (**Tranche 3 Options**),

(each, a **Vesting Date**).

(b) **Lapsing**

In the event that the Optionholder's employment or engagement with the Company (or a subsidiary of the Company) is terminated, with or without cause, prior to the Vesting Date, any unvested Options held by the Optionholder on the date termination becomes effective will immediately lapse and be of no further force or effect and accordingly, will not be exercisable by the Optionholder.

(c) **Entitlement**

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

(d) **Exercise Price**

Subject to paragraph (k), the amount payable upon exercise of the Options will be as follows:

- (i) **Tranche 1:** \$0.02 per Tranche 1 Option;
- (ii) **Tranche 2:** \$0.025 per Tranche 2 Option; and
- (iii) **Tranche 3:** \$0.03 per Tranche 3 Option,

(each, an **Exercise Price**).

(e) **Expiry Date**

Each Option will expire at 5:00 pm (WST) on 31 January 2025 (**Expiry Date**). An Option not exercised before the Expiry Date (including unvested Options) will automatically lapse on the Expiry Date.

(f) **Exercise Period**

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

(g) **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.

(h) **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**).

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

Within five 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 (h)(i) 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.

(j) **Shares issued on exercise**

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

(k) **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.

(l) **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.

(m) **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.

(n)

Transferability

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

SCHEDULE 4 – MATERIAL CONTRACT SUMMARIES

Lead Manager Mandate - Canaccord

The Company has entered into a Lead Manager Mandate with Canaccord under which Canaccord was engaged as lead manager and broker and sole bookrunner to the Placement on the following terms and conditions:

- (a) **Role:** Canaccord was engaged to provide the following services to the Company:
- (i) managing and the marketing the Placement;
 - (ii) advising on the timing and structure of the Placement;
 - (iii) assisting in drafting marketing documentation required for the Placement;
 - (iv) liaising with relevant legal, accounting, tax and assorted advisors to the Company;
 - (v) identifying suitable investors to participate in the Placement; and
 - (vi) managing the administration of the Placement and the allocation process.
- (b) **Fees:** The Company has paid Canaccord the following fees:
- (i) a capital raising fee of 4.0% of the gross proceeds raised under the Placement; and
 - (ii) a management fee of 2.0% of the gross proceeds raised under the Placement,
- (being, an aggregate amount of \$480,000).
- (c) **Expenses:** The Company agreed to reimburse Canaccord for all reasonable out of pocket expenses incurred by Canaccord in connection with the Placement (including, legal fees up to a maximum of \$10,000, marketing and communication costs, and other costs), with any individual expense over \$2,000 requiring prior approval.
- (d) **Future Opportunities:** In the event that the Company undertakes any equity or hybrid capital raising on or before 31 August 2021 (**Subsequent Offer**), the Company agrees to offer Canaccord the opportunity to act as a sole and exclusive lead manager and bookrunner to the Subsequent Offer.

The Lead Manager Mandate contains such other terms as are considered standard for an agreement of its nature.

Executive Services Agreement – Anthony Hadley

The Company has entered into an Executive Services Agreement with Mr Anthony (Tony) Hadley under which Mr Hadley is appointed as "Chief Operating Officer" of the Company on the following terms and conditions:

- (e) **Salary:** Mr Hadley will be paid a salary of \$280,000 per annum, plus statutory superannuation (**Salary**);

- FOR PERSONAL USE ONLY
- (f) **Incentive Component:** Subject to the discretion of the Board and any required Shareholder approvals, Mr Hadley may be issued Shares and Options (or such other securities) as an incentive component of his remuneration and in consideration for services provided to the Company. The Board has resolved to issue 18,000,000 Options to Mr Hadley (being, the subject of Resolution 8) on the terms and conditions set out in Schedule 4.
- (g) **Performance based bonus:** In addition, the Company may at any time during the term pay to Mr Hadley a performance-based bonus over and above the Salary (**Performance Based Bonus**). In determining the extent of any Performance Based Bonus, the Company shall take into consideration the key performance indicators of Mr Hadley and the Company, as the Company may set from time to time, and any other matter that it deems appropriate.
- (h) **Term:** The term of Mr Hadley's appointment as Chief Operating Officer will continue until the Executive Services Agreement is validly terminated in accordance with its terms.
- (i) **Termination:** The Executive Services Agreement may be terminated as follows:
- (i) Mr Hadley may terminate the Executive Services Agreement at his sole discretion by:
 - (A) providing 3 months written notice to the Company; or
 - (B) if at any time the Company commits any serious or persistent breach of any of the provisions contained in the Executive Services Agreement and the breach is not remedied within 28 days of receipt of written notice from the Executive to the Company to do so, by giving notice effective immediately; and
 - (ii) The Company may terminate the Executive Services Agreement:
 - (A) with reason at its sole discretion, by providing 1 month written notice to Mr Hadley, or immediately by paying Mr Hadley the equivalent of 1 months' salary in lieu of notice;
 - (B) summarily if at any time Mr Hadley is convicted of any major criminal offence which brings the Company or any of its related bodies corporate into lasting disrepute, by giving notice effective immediately and without payment of any Salary (other than Salary accrued to the date of termination), or otherwise in accordance with the terms of the Executive Services Agreement (such as where Mr Hadley has breached certain provisions of the Executive Services Agreement)
 - (C) without reason at its sole discretion, by providing 3 months written notice to Mr Hadley and at the end of that notice period, making a payment equal to Mr Hadley of the Salary payable over a 3 month period, or may elect to pay Mr Hadley the equivalent of 6 months' salary in lieu of notice.
- (j) **Non-compete and Restraint:** Mr Hadley is subject to non-compete and restraint provisions for up to a period of 2 years following termination of the employment.

The Executive Services Agreement otherwise contains terms and conditions considered standard for an agreement of its nature.

Proxy Voting Form

If you are attending the virtual Meeting please retain this Proxy Voting Form for online Securityholder registration.

Holder Number:

Your proxy voting instruction must be received by **11.00am (AEDT) on Tuesday, 24 November 2020**, 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

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.

STEP 1 – APPOINT A PROXY

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

DEFAULT TO THE CHAIR OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chair of the Meeting, who is required to vote these proxies as directed. Any undirected proxies that default to the Chair 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.

STEP 2 - VOTES ON ITEMS OF BUSINESS

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

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

Joint Holding: Where the holding is in more than one name, all 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>.

Lodging your Proxy Voting Form:

Online:

Use your computer or smartphone to appoint a proxy at

<https://investor.automic.com.au/#/login>

or scan the QR code below using your smartphone

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



BY MAIL:

Automic
GPO Box 5193
Sydney NSW 2001

IN PERSON:

Automic
Level 5, 126 Phillip Street
Sydney NSW 2000

BY EMAIL:

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