



10 May 2017

The Manager
Company Announcements Office
ASX Limited
20 Bridge Street
Sydney NSW 2000

By e-lodgement: <https://www.asxonline.com>

Dear Sir

Initial Substantial Shareholder Notice of Ausdrill Limited (ASX:ASL) for Vital Metals Limited (ASX:VML)

Attached is a completed and signed Form 603 Notice of Initial Substantial Shareholder for Vital Metals Limited.

A copy of the Form 603 has been sent to the Company Secretary of Vital Metals Limited.

Yours sincerely

Efstratios Gregoriadis
Company Secretary
AUSDRILL LIMITED



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Form 603
Corporations Act 2001
Section 671B

Notice of initial substantial holder

To: Company Name/Scheme Vital Metals Limited (ASX: VML)

ACN/ARSN 112 032 596

1. Details of substantial holder (1)

Name Ausdrill Limited (ASX: ASL) (**Ausdrill**) and subsidiaries of Ausdrill as set out in Annexure A (referred to together as the **Ausdrill Group**)

ACN/ARSN (if applicable) 009 211 474

The holder became a substantial holder on 9 / 5 / 2017

2. Details of voting power

The total number of votes attached to all the voting shares in the company or voting interests in the scheme that the substantial holder or an associate (2) had a relevant interest (3) in on the date the substantial holder became a substantial holder are as follows:

Class of securities (4)	Number of securities	Person's votes (5)	Voting power (6)
Ordinary shares	68,000,000	68,000,000	6.8%

3. Details of relevant interests

The nature of the relevant interest the substantial holder or an associate had in the following voting securities on the date the substantial holder became a substantial holder are as follows:

Holder of relevant interest	Nature of relevant interest (7)	Class and number of securities
Ausdrill International Pty Ltd (Ausdrill International) pursuant to a placement of securities issued on 9 May 2017, as announced by Vital Metals Limited to ASX on 21 Mar 2017 and approved by shareholders on 2 May 2017 (tranche 2)	Pursuant to section 608(1)(a) of the Corporations Act 2001 (Cwlth)	68,000,000 ordinary shares
Other members of the Ausdrill Group	Pursuant to sections 608(1)(b), 608(1)(c) or 608(3)(b) of the Corporations Act or as associates	68,000,000 ordinary shares

4. Details of present registered holders

The persons registered as holders of the securities referred to in paragraph 3 above are as follows:

Holders of relevant interest	Registered holder of Securities	Person entitled to be registered as a holder (8)	Class and number of securities
The Ausdrill Group	Ausdrill International	Ausdrill International	68,000,000 ordinary shares

5. Consideration

The consideration paid for each relevant interest referred to in paragraph 3 above, and acquired in the four months prior to the day that the substantial holder became a substantial holder is as follows:

Holder of relevant interest	Date of acquisition	Consideration (9)		Class and number of securities
		Cash	Non-cash	
The Ausdrill Group	27 Mar 2017	\$297,500		23,800,000 ordinary shares
The Ausdrill Group	9 May 2017	\$552,500		44,200,000 ordinary shares

6. Associates

The reasons the person named in paragraph 3 above are associates of the substantial holder are as follows:

Name and ACN/ARSN (if applicable)	Nature of association
See Annexure A	Bodies corporate controlled by Ausdrill

7. Addresses

The addresses of persons named in this form are as follows:

Name	Address
All members of the Ausdrill Group	6-12 Uppsala Place, Canning Vale, Western Australia 6155

Signature

print name	Efstratios Gregoriadis	capacity	Company Secretary
sign here		date	10 / 5 / 2017

DIRECTIONS

- (1) If there are a number of substantial holders with similar or related relevant issues (eg. A corporation and its related corporations, or the manager and trustee of an equity trust), the names could be included in an annexure to the form. If the relevant interests of a group of persons are essentially similar, they may be referred to throughout the form as a specifically named group if the membership of each group, with the names and addresses of members is clearly set out in paragraph 7 of the form.
- (2) See the definition of "associate" in Section 9 of the Corporations Act 2001.
- (3) See the definition of "relevant interest" in sections 608 and 671B(7) of the Corporations Act 2001.
- (4) The voting shares of a company constitute one class unless divided into separate classes.
- (5) The total number of votes attached to all the voting shares in the company or voting interests in the scheme (if any) that the person or an associate has a relevant interest in.
- (6) The person's votes divided by the total votes in the body corporate or scheme multiplied by 100.
- (7) Include details of:
- any relevant agreement or other circumstances by which the relevant interest was acquired. If subsection 671B(4) applies, a copy of any document setting out the terms of any relevant agreement, and a statement by the person giving full and accurate details of any contract, scheme or arrangement, must accompany this form, together with a written statement certifying this contract, scheme or arrangement; and
 - any qualification of the power of a person to exercise, control the exercise of, the voting powers or disposal of the securities to which the relevant interest relates (indicating clearly the particular securities to which the qualification applies).
- See the definition of "relevant agreement" in section 9 of the Corporations Act 2001.
- (8) If the substantial holder is unable to determine the identity of the person (eg. If the relevant interest arises because of an option) write "unknown".
- (9) Details of the consideration must include any and all benefits, money and other, that any person from whom a relevant interest was acquired has, or may, become entitled to receive in relation to that acquisition. Details must be included even if the benefit is conditional on the happening or not of a contingency. Details must be included of any benefit paid on behalf of the substantial holder or its associate in relation to the acquisitions, even if they are not paid directly to the person from whom the relevant interest was acquired.

Annexure A

This is Annexure A of 1 page referred to in Form 603 (Notice of initial substantial holder) given by Ausdrill Limited and its subsidiaries.



10 May 2017

Efstratios Gregoriadis
Company Secretary

Date

ENTITY NAME	AUSTRALIAN BUSINESS NUMBER (WHERE APPLICABLE)
African Mining Services (Ghana) Pty Ltd	32 076 301 472
African Mining Services Burkina Faso SARL	
African Mining Services Mali SARL	
African Mining Services Guinee SARL	
African Mining Services Senegal SUARL	
AMCG Limited	
Ausdrill Finance Pty Ltd	90 159 906 395
Ausdrill Ghana Pty Ltd	67 053 575 518
Ausdrill International & Management Services Pty Ltd	68 074 414 387
Ausdrill International Pty Ltd	49 069 769 811
Ausdrill Northwest Pty Ltd	58 103 661 374
Ausdrill Properties Pty Ltd	92 104 659 074
Ausdrill Tanzania Limited	
Ausdrill Underground Mining Services Australia Pty Ltd	85 002 822 522
Ausdrill Utilities Pty Ltd	99 103 016 771
BTP Equipment Pty Ltd	55 128 386 201
BTP Parts Pty Ltd	28 096 533 283
Connector Drilling Pty Ltd	14 148 853 561
Diamond Communications Pty Ltd	56 090 105 141
Drill Rigs Australia Pty Ltd	99 128 786 603
ACN 103 534 087	32 103 534 087
Energy Drilling Australia Pty Ltd	74 137 680 221
Golden Plains Pty Ltd	79 006 307 179
Logistics Direct Australia Pty Ltd	23 078 441 031
Logistics Direct Limited	
MinAnalytical Holdings Pty Ltd	21 147 048 075
MinAnalytical Laboratory Services Australia Pty Ltd	54 146 875 774
Mining Technology & Supplies Ltd	
Power Solutions Africa SUARL	
Supply Direct Pty Ltd	29 059 611 862
Supply Direct South Africa Pty Ltd	70 087 063 303
Synegex Holdings Pty Ltd	11 103 420 971
West African Mining Services Ltd	

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29 March 2017

Mr Mark Strizek
Managing Director
Vital Metals Limited
Suite 1, 91 Hay Street
Subiaco, WA 6008

Dear Mark

**PLACEMENT AND EXPLORATION DRILLING SERVICES FOR VITAL METALS LIMITED
– LETTER AGREEMENT**

I refer to our recent discussions in which you advised that Vital Metals Limited ACN: 112 032 596 (ASX:VML) (**Company**) intends to raise approximately AUD5 million as announced to ASX on 21 March 2017 (**VML Capital Raising**) through a placement of new fully paid ordinary shares in the Company (**Shares**) to institutional and sophisticated investors at an issue price of 1.25 cents per share (**Placement**), and you proposed that:

1. the Company will pay by 31 March 2017 the full value of the invoices issued by the subsidiary of Ausdrill Limited (**Ausdrill**), African Mining Services Burkina Faso SARL (**AMS BF**) to Vital Metals Burkina SARL (**VML BF**) 20 September 2016, 31 October 2016, 30 November 2016 and 31 December 2016 (**Current Invoices**) totalling USD334,632.11 excluding VAT (**Invoiced Amount**) in relation to exploration drilling services (**Services**) provided by AMS BF to VML BF at the Company's Kollo Gold Project in Burkina Faso (**Project**); and
2. Ausdrill:
 - (A). participate in the VML Capital Raising by subscribing for AUD850,000.00 (eight hundred and fifty thousand Australian dollars) worth of Shares in the Placement (**Placement Shares**) as documented by separate correspondence with Argonaut Securities Pty Limited (**Argonaut**), the Joint Lead manager to the VML Capital Raising; and
 - (B). separately subscribe for Shares (**Subscription Shares**) in amounts equivalent to 50% of the value of any current Services being undertaken but not yet invoiced (**Current Services**) and future Services to be undertaken (**Future Services**) by AMS BF for VML BF at the Project, subject to the terms and conditions of this letter, where the Company elects to pay for the Current Services and the Future Services by a mixture of cash and Shares (**Mixture Election**) under clause 4(a).





It is estimated that in total AMS BF will invoice VML BF approximately USD1,000,000.00 (one million United States Dollars) for the Current Services and the Future Services and that in the future Ausdrill may therefore subscribe for approximately USD500,000.00 (five hundred thousand United States Dollars) worth of Subscription Shares.

This letter sets out the terms on which Ausdrill is prepared to subscribe for:

- the Placement Shares; and
- the Subscription Shares, with the Subscription Shares to be valued on the basis of the volume weighted average price on the ASX (**VWAP**) for Shares over a 5 Trading Day period discounted by 10%. (For the purposes of this letter, **Trading Day** has the meaning given to that term in Chapter 19 of the listing rules of ASX Limited (ACN 008 624 691) trading as the Australian Securities Exchange (**ASX**)).

Upon acceptance by the Company, this letter will constitute a legally binding agreement between Ausdrill and the Company.

1. Subscription for Placement Shares

Ausdrill will participate in the VML Capital Raising by subscribing for AUD850,000.00 (eight hundred and fifty thousand Australian dollars) worth of Placement Shares at the same price as subscribed for by other investors under the Placement. Argonaut has advised that the subscription for the Placement Shares will be via Delivery versus Payment (**DvP**):

- (a) Tranche 1 being 23.8 million shares at 1.25 cps for AUD\$297,500.00 due to be settled 27 March 2017; and
- (b) Tranche 2 being 44.2 million shares at 1.25 cps for AUD\$552,500.00 due to be settled following shareholder approval expected late April or early May 2017.

2. Drilling Program and Costs

- (a) The Services are being and will continue to be performed by AMS BF at USD commercial rates agreed between AMS BF and VML BF.
- (b) AMS BF has been submitting and will continue to submit valid tax invoices (**Invoices**) to VML BF in respect of Services provided at the Project on a monthly basis.
- (c) Invoices have been and shall continue to be issued by AMS BF in the applicable West African CFA Francs (XOF) and payments are being and shall continue to be made by VML BF to AMS BF in XOF. AMS BF shall calculate its monthly claim based on the agreed USD commercial rates and convert them into XOF at the Ecobank (or such replacement bank as agreed by the parties) USD sell rate current on the last day of the month to which the relevant monthly claim relates.

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- (d) Within 30 days after the receipt of each Invoice in relation to Current Services and Future Services, VML BF must pay to AMS BF in immediately available funds the full amount of such Invoice, plus the full amount of any VAT payable in respect of such Invoice.

3. Payment of the Current Invoices

VML BF must pay to AMS BF in immediately available funds the Invoiced Amount, plus the full amount of any VAT payable in respect of such Current Invoices by no later than 31 March 2017.

4. Subscription for and Issue of Shares in relation to Current Services and Future Services

- (a) In relation to the Current Services and the Future Services, the Company may, on an invoice by invoice basis, elect to pay an invoice (**Relevant Invoice**) in cash or by the Mixture Election by giving written notice to Ausdrill within 2 business days after such Relevant Invoice is issued by AMS BF.
- (b) Where the Company fails to notify Ausdrill of its election within the time period specified in clause 4(a) above, the Company must pay such Relevant Invoice in cash within the time period specified in that invoice.
- (c) In relation to a Relevant Invoice where the Company elects to pay by the Mixture Election:
- i. the USD value of the invoices referred to in clause 2(b) in relation to Current Services and Future Services (as notified by AMS BF to VML BF and which amount must be prior to the conversion to XOF referred to in clause 2(c)) excluding VAT will be converted from USD into AUD at the XE Live Exchange Rates as specified on the XE website (or, where such website is unavailable, the substitute website specified by Ausdrill, acting reasonably) at 5.00pm New York City, USA time on the date the Invoice is issued to VML BF (**Invoice AUD Amount**);
 - ii. within 5 business days after each Invoice in relation to Current Services and Future Services is issued by AMS BF, Ausdrill shall subscribe for such number of Shares as have a value equivalent to the amount which is 50% of the Invoice AUD Amount based on an issue price equivalent to 90% of the VWAP of Shares in the 5 Trading Days immediately preceding the date the Invoice is issued to VML BF, by paying the full subscription amount (of 50% of the Invoice AUD Amount) to the Company in AUD (**Payment**);
 - iii. the Company shall upon receipt of each Payment issue to Ausdrill within 5 business days of receipt of the Payment the number of Shares calculated pursuant to clause 4(c)(ii); and
 - iv. subject to receipt of each Payment, the Company must ensure that VML BF has sufficient funds available to make payment of each Invoice in accordance with clause 2(d).

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5. ASX requirements

Within 1 business day following each issue of Placement Shares and Subscription Shares, the Company must:

- (a) apply for quotation of the relevant Shares on ASX and use reasonable endeavours to have those Shares quoted on ASX;
- (b) issue a "cleansing notice" under section 708A(5)(e) of the Corporations Act 2001 (Cwlth) ("**Corporations Act**") in respect of the relevant Shares or, if the conditions in sections 708A(5)(a) to 708A(5)(d) of the Corporations Act are not satisfied or there is a determination in force under section 708A(2) of the Corporations Act in respect of the Company, the Company must, at its expense, prepare and issue such other documents as are required to permit those Shares to be sold by Ausdrill should it choose to do so without Ausdrill or any other person being in breach of Part 6D of the Corporations Act;
- (c) take any other action required under the rules of the ASX; and
- (d) otherwise do everything necessary or reasonably appropriate to ensure that the relevant Shares are validly issued and able to be freely traded on ASX in compliance with the ASX listing rules and the Corporations Act.

6. Representations, warranties and agreements by the Company

On each occasion that it issues Placement Shares or Subscription Shares, the Company represents, warrants and agrees for the benefit of Ausdrill that:

- (a) either:
 - (i) the Company is able to issue a "cleansing notice" under section 708A(5)(e) of the Corporations Act in respect of the relevant Shares, the conditions in sections 708A(5)(a) to 708A(5)(d) of the Corporations Act are satisfied, and there is no determination in force under section 708A(2) of the Corporations Act in respect of the Company; or
 - (ii) the Company has prepared and lodged a disclosure document or such other documents as are required to permit the relevant Shares to be sold by Ausdrill should it choose to do so without Ausdrill or any other person being in breach of Part 6D of the Corporations Act;
- (b) it has received any necessary regulatory or shareholder approvals to effect the transactions contemplated by this letter;
- (c) it has complied with its continuous disclosure obligations under section 674(2) of the Corporations Act;
- (d) the relevant Shares are fully paid and free from all encumbrances; and
- (e) neither the Company nor VML BF is Insolvent. For this purpose, the Company or VML BF is Insolvent if:

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- i. it is (or states that it is) an insolvent under administration or insolvent (each as defined in the Corporations Act); or
- ii. it has had a Controller (as defined in the Corporations Act) appointed or is in liquidation, in provisional liquidation, under administration or wound up or has had a Receiver appointed to any part of its property; or
- iii. it is subject to any arrangement, assignment, moratorium or composition, protected from creditors under any statute or dissolved (in each case, other than to carry out a reconstruction or amalgamation while solvent on terms approved by the other parties to this agreement); or
- iv. an application or order has been made (and in the case of an application, it is not stayed, withdrawn or dismissed within 30 days), resolution passed, proposal put forward, or any other action taken, in each case in connection with that person, which is preparatory to or could result in any of (i), (ii) or (iii) above; or
- v. it is taken (under section 459F(1) of the Corporations Act) to have failed to comply with a statutory demand; or
- vi. it is the subject of an event described in section 459C(2)(b) or section 585 of the Corporations Act (or it makes a statement from which another party to this agreement reasonably deduces it is so subject); or
- vii. it is otherwise unable to pay its debts when they fall due; or
- viii. something having a substantially similar effect to (i) to (vii) happens in connection with that person under the law of any jurisdiction.

The Company must ensure (and, if necessary, seek legal advice to confirm) that each of the above warranties is satisfied prior to issuing Placement Shares or Subscription Shares to Ausdrill. If such warranties are not or cannot be satisfied by the time by which Placement Shares or Subscription Shares are due to be issued to Ausdrill, then the subscription funds, Initial Payment or the amount of the relevant Payment (as applicable) must be refunded to Ausdrill within 5 business days and the Company must pay that amount to Ausdrill in immediately available funds (and Ausdrill's obligation to subscribe for Placement Shares or further Subscription Shares is suspended).

The Company does not issue the Placement Shares or Subscription Shares with the purpose of Ausdrill selling or transferring them, or granting, issuing or transferring interests in, or options or warrants over, those Shares.

7. Acknowledgements and agreements by Ausdrill

On each occasion that it accepts Placement Shares or Subscription Shares, Ausdrill acknowledges that:

- (a) it has made and relied upon its own assessment of the Company and has conducted its own investigations with respect to the relevant Shares and the Company;

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- (b) the offer made in this letter does not constitute a securities recommendation;
- (c) it is a "sophisticated" or "professional investor" within the meaning of section 708 of the Corporations Act;
- (d) the Company is not issuing the relevant Shares for the purpose of Ausdrill selling or transferring them, or granting, issuing or transferring interests in, or options or warrants over them;
- (e) Ausdrill will not acquire the relevant Shares with the intention as at the time of issue, to re-sell the Shares, although to avoid doubt, this does not mean that Ausdrill may not change its intention regarding the Shares after they are issued; and
- (f) it agrees to be bound by the Constitution of the Company.

8. Sale of Shares by Ausdrill

The Company agrees that (subject to any restrictions imposed by ASX and paragraph 7(e)) Ausdrill is free to sell the Placement Shares and/or the Subscription Shares at any time should it choose to do so. Ausdrill agrees to advise the Company of any proposed sale of Placement Shares and/or Subscription Shares issued by the Company in accordance with the terms of this letter.

If, at the time of any proposed sale by Ausdrill of Placement Shares and/or Subscription Shares Ausdrill is in possession of information that is not generally available that, if it were generally available, a reasonable person would expect to have a material effect on the price or value of the Placement Shares and/or the Subscription Shares, then Ausdrill may request in writing that such information be released to ASX (so as to enable Ausdrill to trade Placement Shares and/or the Subscription Shares without breaching the "insider trading" provisions of the Corporations Act), in which case the Company must release such information within five business days of receipt of the request, unless the Company, acting reasonably, forms the view that to do so would be unreasonably prejudicial to the Company.

9. Chapter 6

Notwithstanding any other provision of this letter, the Company will not be required to issue (and Ausdrill will not be required to accept) Subscription Shares to the extent that such issue would cause a person (or any Associate of the person as defined in section 12 of the Corporations Act) to contravene section 606 of the Corporations Act. If requested by Ausdrill in writing, the Company must at its own cost seek any necessary shareholder approvals (including under item 7, section 611 of the Corporations Act) required to issue Subscription Shares to Ausdrill. To the extent that Subscription Shares cannot be issued by the Company to Ausdrill (for whatever reason including following the holding of a meeting convened to seek any shareholder approval referred to above), then the amount of the relevant Initial Payment or Payment must be refunded to Ausdrill within 5 business days and the Company must

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pay that amount to Ausdrill in immediately available funds (and Ausdrill's obligation to subscribe for further Subscription Shares is suspended).

If the above terms are acceptable to the Company, would you please sign and return a copy of this letter where indicated below.

Yours sincerely

Ron Sayers
Managing Director
AUSDRILL LIMITED

I, Mark Strizek, Managing Director of Vital Metals Limited, duly authorised, agree to the above terms.

Mark Strizek
Managing Director
Vital Metals Limited
for and on behalf of
Vital Metals Limited

Signature of Witness

Sandie Knight

Full Name of Witness

Date: 30 MAR 2017

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