

VECTOR RESOURCES LIMITED

ACN 107 541 453

NOTICE OF GENERAL MEETING

and

EXPLANATORY MEMORANDUM

and

PROXY FORM

Date of Meeting: 5 September 2008

Time of Meeting: 10.30 am (WST)

Place of Meeting: The Celtic Club Inc, 48 Ord St, West Perth, Perth,
Western Australia

This Notice of General Meeting and accompanying Explanatory Memorandum and Proxy Form should be read in their entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.

Should you wish to discuss any matters referred to in this document, please contact the Company Secretary by telephone on +61 (8) 9486 1122.

IMPORTANT NOTICES

Who May Vote	Persons whose names are set out in the register of members of the Company as at 10.30 am (WST) on 3 September 2008 are entitled to attend and vote at the meeting convened by this notice.
Proxies - Appointment	A Shareholder who is entitled to attend and vote at the meeting has a right to appoint not more than 2 proxies to attend and vote for the Shareholder at the meeting. Where a Shareholder appoints 2 proxies, the appointment may specify the proportion or number of votes which each proxy may exercise. If the appointment does not specify the proportion or number of the Shareholder's votes each proxy may exercise, then each proxy may exercise half of those votes. A proxy need not be a Member of the Company.
Body Corporate Representative	<p>A Shareholder who is a body corporate and who is entitled to attend and vote at the meeting, or a proxy who is a body corporate and who is appointed by a Shareholder entitled to attend and vote at the meeting, may appoint a person to act as its representative at the meeting by providing that person with:</p> <ul style="list-style-type: none">• a letter or certificate, executed in accordance with the body corporate's constitution, authorising the person as the representative; or• a copy of the resolution, certified by the secretary or a director of the body corporate, appointing the representative.
Purpose of Explanatory Memorandum	The Explanatory Memorandum seeks to provide information material to an assessment of the Acquisition and additional matters. Shareholders may also obtain information on the Acquisition and additional matters by calling +61 (8) 9486 1122 and can access information regarding the Company from the ASX or the Company's website at www.vectorresources.com.au .
Voting Exclusion Statement	<p>In accordance with the Listing Rules, the Company need not disregard a vote on Resolutions 1 - 3, and 5 if it is cast by:</p> <ul style="list-style-type: none">• a person as proxy for a person who is entitled to vote, in accordance with the direction of the proxy form; or• the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form to vote as the proxy decides.
Date of Explanatory Memorandum	The Explanatory Memorandum is dated 5 August 2008.

TABLE OF CONTENTS

IMPORTANT NOTICES	i
TABLE OF CONTENTS	ii
CHAIRMAN'S LETTER	iii
ACTION REQUIRED BY SHAREHOLDERS	iv
NOTICE OF GENERAL MEETING	1
EXPLANATORY MEMORANDUM	4
1. Introduction	4
2. The Magdalena Iron Sands Project	4
3. Strategy	8
4. Structure of the Acquisition	10
5. Effect of the Acquisition on the Company	13
6. Election of Director	15
7. Resolutions in detail	16
8. Glossary	25
Schedule 1 Terms and conditions of the Share Sale Agreement	29
Schedule 2 Terms and conditions of the Quoted Options	31
Schedule 3 Terms and conditions of the Unquoted Options	33
Schedule 4 Terms and conditions of the Unquoted 5 Year Options	35
PROXY FORM	37

CHAIRMAN'S LETTER

Dear Shareholder

On 30 May 2008, Vector Resources Limited (**Company**) announced to the ASX that it had entered into a binding agreement to acquire an interest in a significant magnetite iron sands project in the Magdalena Delta region of Colombia. Subsequently, the Company conducted due diligence procedures including in-country investigations and site visits by the Company's US based legal advisors. The investigations were very positive with the acquisition of the Magdalena Iron Sands Project (**Project**) being considered attractive for the Company and its Shareholders.

The Project covers a large contiguous area highly prospective to host large commercial tonnages of magnetite sands. Supporting infrastructure is in close proximity to the port city of Barranquilla, located within 30 km of the Project, and is fully serviced with port facilities, communication and power infrastructure to support future development of the Project. With the comparatively low investment requirements due to the type of deposit and location, the Project is capable of rapid development into production.

The Company is looking forward to working with the in-country management and a skilled local workforce to manage exploration activities in Colombia, a country considered to be friendly to foreign investment and development with BHP Billiton, Rio Tinto and Xstrata all operating in the country.

Enclosed with this letter is a Notice of General Meeting, together with an Explanatory Memorandum. The Explanatory Memorandum sets out details of the proposed acquisition and the various other resolutions being put forward at the meeting.

The directors believe that this acquisition is a very positive move for the Company. We very much look forward to welcoming you at the meeting, and to the future of the Company as it moves into an exciting new phase as a potential iron sands producer.

Please do not hesitate to contact our Company Secretary, Roland Berzins, or myself to discuss this matter further; or if you would like us to send you a hard or digital copy of the enclosed Notice of General Meeting and Explanatory Memorandum.

Kind regards

Gordon Sklenka
Director
Vector Resources Limited

ACTION REQUIRED BY SHAREHOLDERS

Review this document in detail and seek professional advice

This document contains important information about your investment in Shares and should be read in its entirety. We encourage you to seek advice from your financial advisers before making any decisions.

Vote on the resolutions

We strongly urge you to vote in person or by proxy at the Meeting to be held at The Celtic Club Inc, 48 Ord St, West Perth, Perth, Western Australia at 10.30 am (WST) on 5 September 2008.

Voting in person

You may vote by attending the Meeting to be held at The Celtic Club Inc, 48 Ord St, West Perth, Perth, Western Australia at 10.30 am (WST) on 5 September 2008.

If you are a corporate Shareholder and wish to appoint a representative to attend the Meeting, you should ensure that your representative can provide appropriate evidence of his or her appointment.

You may appoint another person by power of attorney to attend the Meeting and vote on your behalf. Appropriate evidence of the grant of the power of attorney must be received at the address below on or before 10.30 am (WST) on 3 September 2008 (being 48 hours before the time of the Meeting).

Voting by proxy

A proxy form is enclosed with this document.

The instructions for completion of the proxy form are on the reverse side of the proxy form. The proxy form should be completed and returned to Advanced Share Registry Services:

In person: 150 Stirling Highway, Nedlands WA 6009

By post: PO Box 1156, Nedlands WA 6909

By fax: +61 (8) 9389 7871

A reply paid envelope is enclosed for proxy forms posted from within Australia.

To be valid, your proxy form must be received at the above address on or before 10.30 am (WST) on 3 September 2008, being 48 hours before the time of the Meeting (**Proxy Deadline**).

A written proxy appointment must be signed by the Shareholder or the Shareholder's attorney. Where the appointment is signed by the appointor's attorney, a certified copy of the authority, or the authority itself, must be lodged with the Company in one of the above ways by the Proxy Deadline. If facsimile transmission is used, the authority must be certified.

Questions

If you have any questions concerning your shareholding, please contact the Company's share registry, Advanced Share Registry Services, on +61 (8) 9389 8033, or your stockbroker or financial adviser.

VECTOR RESOURCES LIMITED

ACN 107 541 453

NOTICE OF GENERAL MEETING

Notice is hereby given that a Meeting of Vector Resources Limited (**Company**) will be held at The Celtic Club Inc, 48 Ord St, West Perth, Perth, Western Australia at 10.30 am (WST) on 5 September 2008 for the purposes of transacting the following business.

The Explanatory Memorandum that accompanies and forms part of this Notice of General Meeting describes the various matters to be considered at the Meeting.

The Directors have determined that, pursuant to regulation 7.11.37 of the Corporations Regulations 2001 (Cth), the persons eligible to vote at the Meeting are those who are registered as Shareholders at 10.30 am (WST) on 3 September 2008. Accordingly, share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

Terms used in this Notice of General Meeting will, unless the context otherwise requires, have the same meaning given to them in the Glossary of Terms as contained in the Explanatory Memorandum.

AGENDA

Resolutions 1 - 5 are interdependent. If any of Resolutions 1 - 5 are not passed, then Resolutions 1 - 5 will all be taken to have failed.

Resolution 1 - Proposed issue of Securities to the Vendors or their nominees

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

"That, subject to the approval of Resolutions 2 - 5, for the purposes of Listing Rule 7.1 and for all other purposes, Shareholders approve and authorise the Directors to issue a total of:

- (a) 140,000,000 Shares at a deemed issue price of A\$0.25; and*
- (b) 20,000,000 Quoted Options exercisable at A\$0.20 with an expiry date of 30 June 2012,*

to the Vendors or their nominees as each of the Vendors may direct, as consideration for the acquisition of the total issued capital in Colombia Mining Corporation on the terms and conditions set out in the Explanatory Memorandum."

In accordance with Listing Rule 14.11, the Company will disregard any votes cast on this Resolution by the Vendors, an Associate of the Vendors, and a person who might obtain a benefit, except a benefit solely in the capacity of a security holder, if this Resolution is passed, (**Excluded Person**) and an Associate of an Excluded Person. However, the Company need not disregard a vote if it is cast by the Vendors or an Excluded Person, as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by a representative of the Vendors or an Excluded Person chairing the Meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 2 - Proposed issue of Securities to Indian Ocean Capital Pty Ltd or its nominees

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

"That, subject to the approval of Resolutions 1 and 3 - 5, for the purposes of Listing Rule 7.1 and for all other purposes, Shareholders approve and authorise the Directors to issue a total of 30,000,000 Quoted Options to Indian Ocean Capital Pty Ltd or its nominees, exercisable at A\$0.20 with an expiry date of 30 June 2012, on the terms and conditions set out in the Explanatory Memorandum."

In accordance with Listing Rule 14.11, the Company will disregard any votes cast on this Resolution by Indian Ocean Capital Pty Ltd (**IOC**), an Associate of IOC, and a person who might obtain a benefit, except a benefit solely in the capacity of a security holder, if this Resolution is passed, (**Excluded Person**) and an Associate of an Excluded Person. However, the Company need not disregard a vote if it is cast by IOC or an Excluded Person, as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by a representative of IOC or an Excluded Person chairing the Meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 3 - Proposed issue of Securities to Senior Management

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

"That, subject to the approval of Resolutions 1, 2, 4 and 5, for the purposes of Listing Rule 7.1 and for all other purposes, Shareholders approve and authorise the Directors to issue up to a maximum of:

- (a) 9,000,000 Unquoted Options exercisable at A\$0.20 with an expiry date of 30 July 2012;*
and
- (b) 3,500,000 Unquoted 5 Year Options exercisable at A\$0.40 with an expiry date of 5 years from the date of issue,*

to Senior Management, on the terms and conditions set out in the Explanatory Memorandum."

In accordance with Listing Rule 14.11, the Company will disregard any votes cast on this Resolution by Senior Management, an Associate of Senior Management, and a person who might obtain a benefit, except a benefit solely in the capacity of a security holder, if this Resolution is passed, (**Excluded Person**) and an Associate of an Excluded Person. However, the Company need not disregard a vote if it is cast by Senior Management or an Excluded Person, as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by a representative of Senior Management or an Excluded Person chairing the Meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 4 - Election of Mario Enrique Bolivar as a Director

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

"That, subject to the approval of Resolutions 1 - 3 and 5, Mr Mario Enrique Bolivar be elected as a Director of the Company with immediate effect."

Resolution 5 - Proposed issue of Securities to Grupo Pegasus S.A. or its nominees

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

"That, subject to the approval of Resolutions 1 - 4, for the purposes of Chapter 2E of the Corporations Act and for all other purposes, Shareholders approve and authorise the Directors to issue a total of:

(a) 37,296,000 Shares at a deemed issue price of A\$0.25; and

(b) 5,328,000 Quoted Options exercisable at A\$0.20 with an expiry date of 30 June 2012,

to Grupo Pegasus S.A. or its nominees as Grupo Pegasus S.A. may direct, as consideration for the acquisition of the total issued capital in Colombia Mining Corporation on the terms and conditions set out in the Explanatory Memorandum."

In accordance with section 224 of the Corporations Act, the Company will disregard any votes cast on this Resolution by Grupo Pegasus, an Associate of Grupo Pegasus, and a person who might obtain a benefit, except a benefit solely in the capacity of a security holder, if this Resolution is passed, (**Excluded Person**) and an Associate of an Excluded Person. However, the Company need not disregard a vote if it is cast by Grupo Pegasus or an Excluded Person, as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by a representative of Grupo Pegasus or an Excluded Person chairing the Meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

**DATED 5 AUGUST 2008
BY ORDER OF THE BOARD**

**ROLAND BERZINS
COMPANY SECRETARY**

VECTOR RESOURCES LIMITED

ACN 107 541 453

EXPLANATORY MEMORANDUM

This Explanatory Memorandum has been prepared for the information of Shareholders of Vector Resources Limited (**Company**) in connection with the business to be conducted at the Meeting to be held at The Celtic Club Inc, 48 Ord St, West Perth, Perth, Western Australia at 10.30 am (WST) on 5 September 2008.

This Explanatory Memorandum should be read in conjunction with the accompanying Notice of General Meeting.

1. Introduction

The purpose of the Meeting is to consider resolutions that will enable the Company to acquire the total issued capital in Colombia Mining Corporation (**CMC**) from the Vendors (**Acquisition**).

To proceed with the Acquisition, the Company proposes, subject to Shareholder approval, to issue:

- (a) 140,000,000 Shares and 20,000,000 Quoted Options to the Vendors or their nominees;
- (b) 30,000,000 Quoted Options to IOC; and
- (c) up to a maximum of 9,000,000 Unquoted Options and 3,500,000 Unquoted 5 Year Options to Senior Management.

Shareholders are also being asked to:

- (a) elect Mario Enrique Bolivar to the Company's board of Directors (**Board**); and
- (b) approve the issue of Securities to Grupo Pegasus or its nominees.

Further information on each of the Resolutions is set out below.

2. The Magdalena Iron Sands Project

2.1 Current operations

CMC

CMC is a British Virgin Island registered company (BVI Company Number 1481368) which was incorporated on 13 May 2008. Mario Enrique Bolivar is the sole director of CMC and Melvin Campbell is the company secretary. The shareholders of CMC, as at the date of this Explanatory Memorandum, are:

- Burns Family Investments WA Pty Ltd (**Burns Family Investments**) as trustee for the Burns Superannuation Fund;
- Cave Glen Pty Ltd (**Cave Glen**) as trustee for the Sandra Wise Superannuation Fund;
- Sassey Pty Ltd (**Sassey**) as trustee for the Avago Superannuation Fund;
- Sassey as trustee for the Sassey Trust;

- Grupo Pegasus S.A. (**Grupo Pegasus**);
- Barque Investments Pty Ltd (**Barque Investments**);
- Palmrose Pty Ltd (**Palmrose**);
- Daniel Paul Wise; and
- Hopetoun Nominees Pty Ltd (**Hopetoun Nominees**).

Farm-in and joint venture agreements

CMC has entered into 4 farm-in and joint venture agreements (**JV Agreements**) with various parties in Colombia to explore and subsequently mine iron sands and other minerals on the areas which are the subject of the Mallorquin, Horeb, La Magdalena and El Trebol licences (**JV Licences**).

Under the key terms of the JV Agreements, CMC has the right to earn 55% on each JV Licence provided that it undertakes total expenditure of US\$5.9 million on the 4 JV Licences within 12 months from the date on which the JV Licences were granted by Ingeominas or available for exploration. As at the date of this Explanatory Memorandum, only the Horeb Licence has been granted. The details of the JV Licences are set out in the table below.

Licence	Number	Area (m²)	CMC Right to Earn (%)	Status
Mallorquin	GC3-111	27,558,354	55%	Undergoing registration
Horeb	GR7-121	37,640,000	55%	Licence Granted
La Magdalena	HAU-103	29,660,000	55%	Undergoing registration
El Trebol	GC3-102	40,269,956	55%	Undergoing registration
Total Area (m²)		135,128,310		

The JV Agreements grant CMC the option to purchase the remaining 45% interest in each of the JV Licences from the minority holders of the JV Licences (**JV Partners**) within 12 months from the date that each of the respective JV Licences were granted and available for exploration, in exchange for cash consideration of a total of US\$27.5 million, in accordance with the transfer of interests in the Farm-in and Joint Venture Agreements and Licence Applications as set out in Section 4.2.

Wholly owned applications

In addition to the 4 JV Licences, CMC holds a 100% interest in 6 contiguous applications to mine the Valero Pequeno, Valero, San Bernardo, Morrocoy, El Dorado and Aurora licences (**CMC Licences**). The details of the CMC Licence Applications are set out in the table below.

Licence	Number	Area (m ²)	Interest held by CMC (%)	Status
Valero Pequeno	JBQ-10461	785,994	100%	Application on behalf of CMC
Valero	JAS-14061	7,058,645	100%	Application on behalf of CMC
San Bernardo	JAS-14021	37,500,000	100%	Application on behalf of CMC
Morrocroy	JAS-14001	37,500,000	100%	Application on behalf of CMC
El Dorado	JAS-14031	37,630,000	100%	Application on behalf of CMC
Aurora	JAS-14051	37,630,000	100%	Application on behalf of CMC
Total Area (m²)		158,104,639		

The Project

The Magdalena Iron Sands Project (**Project**) comprises the areas covered by the JV Licences and the CMC Licences (**Project Licences**).

The Project is located in the Magdalena Delta region of Colombia where significant heavy mineral deposits have been identified. These deposits are predominately high quality liberated magnetite grains containing a mix of both low and medium types of titanium dioxide. No resources have been calculated to date. However, preliminary assessment of the Project area has identified significant potential to host large commercial tonnages of magnetite sands.

CMC is undertaking plans to define the level of JORC compliant Inferred Mineral Resource at the Project and has deployed a team with the experience and expertise to conduct onshore and offshore geological evaluation. Concurrently, plans are in progress to ascertain an optimum process flow and the corresponding equipment that will optimise production from the region. The work carried out on the resource and process flow will provide the ground work for prefeasibility study and, subsequently, a bankable feasibility study on the Project.

Location of the Project

The Magdalena Delta region is fed by the Magdalena River (Rio Magdalena). The Magdalena River is the principal river of Colombia running for 1,540 km south to north and discharges eroded heavy minerals into the Caribbean Sea near the Port City of Barranquilla. It is estimated that over 143 million tonnes of sediments are carried out to sea each year.

Support infrastructure

The port city of Barranquilla is located within 30 km of the Project and it is fully serviced with port facilities, communications and power infrastructures to support future development of the Project.

According to "Doing Business 2005 Report made by the World Bank", Colombia was ranked 2nd among 145 economies in business climate improvement by facilitating specific regulations and policies that encourage investment, productivity and growth. Colombia is considered to be friendly to foreign investment and development with BHP Billiton, Rio Tinto, AngloGold Ashanti and Xstrata all operating in Colombia.

2.2 Risk factors

There are a number of factors, both specific to CMC and of a general nature, which may affect the future value of the Company's investment in CMC. Some of these factors may be mitigated by the use of safeguards and appropriate commercial action. However, many of these factors are outside the control of CMC and are not able to be mitigated.

Government and sovereign risk

The present government of Colombia has been in office for over 5 years and the government of President Alvaro Uribe Velez continues to receive favourable support.

According to the World Competitiveness Year Book 2005, Colombia was ranked 2nd among 60 countries in government policy transparency and direction which has facilitated foreign direct investment. The Colombian Ministry of Trade, Industry and Tourism recently published figures showing a 50% increase in foreign direct investment into Colombia from 2002 to 2005. The clear policy direction on foreign investment introduced in Colombia has further reinforced investor confidence, paving the way for increased foreign direct investment in Colombia.

Although the political structure in Colombia is favourable towards foreign investment at present, the future investment environment is beyond the control of the Company and CMC. The Company is not able to predict the effect of a change of government on the future value of the Company's investment in CMC.

Economic and external market risk

Colombia currently enjoys higher economic growth, lower inflation (approximately 4%) and a lower level of external debt compared with its South American neighbours.

However, political movements, stock market trends, changing customer preferences, interest rates, inflation levels, commodity prices, industrial disruption, environmental impacts, international competition, taxation changes and legislative or regulatory changes, may all have an adverse impact on the Company's investment in CMC. These factors are beyond the control of CMC and the Company is not able to predict the extent to which these factors may affect the future value of the Company's investment in CMC.

Environmental risk

In accordance with the provisions under the mining legislation in Colombia, CMC does not require an environmental permit to conduct exploration at the Project. However, CMC will require an environmental permit to commence mining at the Project.

Delays in seeking environmental and ministerial approvals may adversely affect progress by delaying the development of the Project.

Title risk

Interests in, and entitlements to, mining licences in Colombia are evidenced by the granting of licences the process for which is governed by the Mining Code Act 685 of 2001. Each mining licence survives for a specific term and is conditional upon the licensee meeting various requirements, including a minimum annual expenditure on the development or exploration of the area which is the subject of the mining licence. CMC may lose its interests in, or entitlements to, the Project Licences if it fails to meet the relevant conditions of each Project Licence.

Exploration risk

The Project is at an early stage of exploration, and the Company understands that mineral exploration and development are high risk undertakings.

There can be no assurance that exploration of the Project or any areas which CMC may identify in the future will result in the discovery of an economic ore deposit. Even if CMC

identifies an apparently viable deposit, there is no guarantee that it can be economically exploited.

Ability to attract key personnel

CMC's success depends, in part, on its ability to attract, motivate and retain suitably qualified personnel. There is high demand and intense competition for the necessary staff. The inability to access and retain the services of a sufficient number of qualified staff may adversely affect CMC's strategy development of the Project.

2.3 Acquisition of further interests in Project

CMC has the right to exercise the option to purchase the remaining 45% interest on each licence as provided under each of the 4 Farm-in and Joint Venture Agreements. CMC may exercise each option in writing within 12 months from the date of receipt of the approved contract for the licence area from Ingeominas.

The 6 applications for the CMC Licences referred to in section 2.1 have been made by TC Oil and Services S.A. (**TC Oil**) on behalf of CMC and will be held on trust for CMC until they have been granted. When the CMC Licences are granted, TC Oil has agreed to immediately arrange the transfer of the CMC Licences to CMC pursuant to a letter of agreement dated 1 May 2008 between TC Oil and the Vendors. All expenses incurred by TC Oil for the application for, and subsequent transfer of, the licences are to be paid by CMC.

Effective as of the date of CMC's incorporation, being 13 May 2008, all future applications for new licences will be in the name of CMC.

3. Strategy

3.1 Current operations

Tenement Management

At the time of its admission to the official list of ASX on 17 December 2007, the Company held, through its wholly owned subsidiary Louise Minerals Pty Ltd, 4 granted exploration licences and 1 licence application, covering parts of the iron-bearing Frere Formation of the Nabberu Basin, 120 km north of Wiluna, Western Australia. Since listing, the 5th primary licence has been granted and a further 7 exploration licences and 4 prospecting licences have been applied for near to the existing tenure.

Exploration Activities

Since its admission to the official list of ASX on 17 December 2007, the Company has completed an extensive field mapping and surface sampling program. Numerous outcrops of ironstone assaying greater than 60% iron with low impurities have been recorded and announced to the ASX on 30 April 2008.

Subsequent to the field mapping and surface sampling, a gravity survey was undertaken over some of the more prospective areas to generate potential drilling targets. This methodology has been extremely successful in generating quality drilling targets for other iron ore explorers.

Following the completion of a Heritage Survey, the Company has planned a drilling program for late August 2008 as announced to the ASX on 8 July 2008.

A 20-man accommodation and communication facility has been established at Granite Peak homestead to serve as a base for the mobile teams operating on the respective prospects.

Corporate

As advised to the ASX in the Company's announcements of 6 February and 11 February 2008, the Company has undertaken a pro rata offer of Options to Shareholders.

The pro rata offer to Shareholders (**Offer**) was on the basis of 1 Option for every 2 Shares held at the record date, each with an issue price of A\$0.01, exercisable at A\$0.20 on or before 30 June 2012.

The Offer was fully subscribed.

As a result, the maximum entitlement take up under the Offer was 52,886,666 Options.

In accordance with the motion placed before Shareholders and approved in a Shareholders meeting on 14 April 2008, an issue of up to 52,000,000 Options, each with an issue price of A\$0.01 per Option and exercisable at A\$0.20 on or before 30 June 2012, was made to clients of Indian Ocean Capital Pty Ltd (**IOC**) (**Placement**).

Completion of the Offer and Placement resulted in an increase in the cash on hand of up to approximately A\$1,048,166 before costs of approximately A\$74,297. The funds raised pursuant to the Offer and Placement will be used to:

- continue the development of Company's projects; and
- improve the Company's working capital position.

3.2 Reasons for the Acquisition

As announced to the ASX on 30 June 2008, the Company completed the due diligence investigations including in-country investigations and site visits by the Company's technical consultant and in-country investigations by the Company's US based legal advisors. The due diligence investigations were positive and the Acquisition was considered to be attractive to the Company and its Shareholders for the following reasons:

- the Project is highly prospective to host large commercial tonnages of magnetite sands;
- the Project has a licence area that is large and contiguous providing scalability;
- the Project is capable of rapid development into production;
- the Project has comparatively low investment requirements due to the type of deposit and location;
- the infrastructure requirements for mining are accessible and of standard purchase criteria; and
- the Company will have access to in-country management and a local skilled workforce to manage exploration activities.

As a result of the commercial and technical outcomes of the due diligence investigations summarised above, the Board believes that the Project should be acquired and it will benefit the Company and its Shareholders by:

- diversifying the Company and reducing the risk inherent in single project exploration;
- providing critical mass to the Company's operations and potentially increasing the value of securities; and
- providing the Company access to a project with high prospectivity and the potential to move rapidly into production within a reasonable timeframe.

3.3 Future funding

Funding for the Project will be sourced from the Company's cash reserves. Additional capital raising activities will be required and driven by the exploration results of the Project.

The Company is currently, and will continue to be, following the proposed transaction of the Project, focused on exploration and drilling at its Nabberu Iron Project. The Company's commitment to the Nabberu Iron Project remains unchanged as does its funding commitment to the Nabberu Iron Project as disclosed in the Company's prospectus for its initial public offering dated 7 November 2007.

4. Structure of the Acquisition

4.1 Consideration

To proceed with the Acquisition, the Company proposes, subject to Shareholder approval, to issue 140,000,000 Shares and 20,000,000 Options to the Vendors, or their nominees, in 5 Tranches as set out in the following table:

	Shares	Quoted Options	Timing
Tranche 1	40,000,000	10,000,000	On or before 30 September 2008
Tranche 2	30,000,000	10,000,000	Upon the Company being satisfied that the Project has achieved a defined 250 million tonnes JORC compliant Inferred Mineral Resource
Tranche 3	30,000,000	Nil	Upon the Company being satisfied that the Project has achieved a defined 500 million tonnes JORC compliant Inferred Mineral Resource
Tranche 4	20,000,000	Nil	Upon the Project achieving shipment of the first 50,000 tonnes of iron sands
Tranche 5	20,000,000	Nil	Upon the Project achieving shipment of the first 200,000 tonnes of iron sands

The Shares to be issued to Vendors will be issued at a deemed price of A\$0.25.

The Quoted Options to be issued to the Vendors have been valued at A\$0.13. Given that the Quoted Options are trading at reasonable volumes, the Board has utilised a Volume Weighted Average Price calculation to determine their value. The timeframe for data input (price and volume) was the date on which the Quoted Options were first officially quoted on ASX (18 March 2008) to 14 July 2008.

4.2 Material terms and conditions of the Acquisition

Reimbursement of Expenditure

Subject to the approval of Resolutions 1 - 5, the Company shall reimburse the Vendors a total of US\$700,000 for their previous exploration expenditure on the Project.

Issue of Quoted Options to IOC

The issue of Quoted Options to IOC or its nominees is proposed as a method of remuneration for the project origination, transaction structuring and deal facilitation activities in respect of the Project.

The Company has an excellent working relationship with IOC and it is anticipated that IOC will provide further expertise and professional services in the areas of company promotion, capital raising and project origination.

IOC is independent of, and not associated with, the Company and is not a Related Party of the Company.

Issue of Management Options

CMC's management is an experienced team with a balance combination of technical, financial and marketing skill sets that will add value to the Project in the short and medium term.

In order to attract and retain skilled staff and to ensure continuity of service, a Management Option incentive package was structured with the current incumbents. The Management Options package was structured in a manner designed to link reward to corporate and individual performances.

Transfer of interests in Farm-in and Joint Venture Agreements and Licence Applications

Under each of the JV Agreements, CMC may exercise its option to purchase the remaining 45% interest in each of the JV Licences provided that it:

1. delivers written notice of its intention to exercise the option to the relevant JV Partner for each JV Agreement;
2. exercises the option to purchase the remaining 45% interest in a particular JV Licence within 12 months of the date of receiving an approved copy of that JV Licence from Ingeominas; and
3. pays to the relevant JV Partner the appropriate instalment amounts within the time designated for payment as detailed in each JV Agreement.

A summary of the amounts payable for the remaining 45% of each JV Licence and the terms of payment are set out in the table below.

Licence	Total Purchase Price	Instalment amount and time of payment
Mallorquin	US\$3,000,000	<ol style="list-style-type: none"> 1. US\$1,500,000 on exercise of option 2. US\$1,500,000 within 180 days after the interests of the JV Partners are transferred to CMC
Horeb	US\$14,500,000	<ol style="list-style-type: none"> 1. US\$5,000,00 on exercise of option 2. US\$5,000,000 within 9 months after the interests of the JV Partners are transferred to CMC 3. US\$4,500,000 within 18 months after the interests of the JV Partners are transferred to CMC
La Magdalena	US\$6,000,000	<ol style="list-style-type: none"> 1. US\$1,500,00 on exercise of option 2. US\$1,500,000 within 90 days after the interests of the JV Partners are transferred to CMC 3. US\$1,500,000 within 180 days after the interests of the JV Partners are transferred to CMC 4. US\$1,500,000 within 270 days after the interests of the JV Partners are transferred to CMC
El Trebol	US\$4,000,000	<ol style="list-style-type: none"> 1. US\$2,000,00 on exercise of option 2. US\$1,000,000 within 150 days after the interests of the JV Partners are transferred to CMC 3. US\$1,000,000 within 270 days after the interests of the JV Partners are transferred to CMC
Total	US\$27,500,000	

Further payments

In the event that the Company exercises an option to purchase the remaining 45% of any of the JV Licences, the Company has agreed to pay the Vendors a one-off aggregate sum of A\$10,000,000.

4.3 Royalty deed

CMC has entered into a royalty deed (**Royalty Deed**) with the Vendors under which CMC agreed that the Vendors should be entitled to a royalty (**Royalty**) in relation to any natural resource including minerals, coal, oil, gas, water or hydro energy (**Resources**) produced from the properties which are currently beneficially owned (directly or indirectly) by CMC (as set out in section 2.1 above) and also from all other resource projects in Colombia in respect of which CMC (or any Affiliate of CMC, including the Company) receives any money or other benefit (together, **Resource Projects**).

The Royalty comprises:

- in the case of any ore containing economically extractable quantities of iron, such as magnetite, hematite, any other form of iron ore or iron sands - US\$2.00 per tonne of ore at mine gate (as varied by changes in the US CPI) (**Iron Royalty**); and
- in the case of all other Resources, 5% of their value at the mine gate, site exit or wellhead (**Bonus Royalty**) such value being calculated on the London Metals Exchange price on the day prior to the date on which the Royalty is paid where the Resource is quoted on that exchange or the generally applied internationally quoted price where it is not,

The Royalty is payable quarterly in arrears. Any of the Vendors may assign part or all of its entitlement to the Royalty.

If any Affiliate of CMC acquires any concession or other right in respect of Resources (contractual or otherwise) in Colombia, that Affiliate must enter into a deed of covenant with the Vendors obliging the Affiliate to pay the Royalty in the same terms as CMC is obliged to pay under the Royalty Deed.

CMC must not assign any Resource Project without the Vendors' consent and then only if the assignee enters into a deed of covenant with the Vendors to pay the Royalty.

5. Effect of the Acquisition on the Company

5.1 Impact on financial position

The following statement of financial position shows the consolidated position of the Company and CMC in the event that Shareholders approve the Acquisition.

	Unaudited 30 April 2008 (A\$,000)	Pro-forma 1 (A\$,000)	Pro-forma 2 (A\$,000)
CURRENT ASSETS			
Cash and Cash Equivalents	10,622	9,892	9,892
Receivable	452	452	452
TOTAL CURRENT ASSETS	11,074	10,344	10,344
NON CURRENT ASSETS			
Property, Plant and Equipment	167	167	167
Exploration, evaluation and development costs	116	16,046	45,151
Investments	353	353	353
TOTAL NON CURRENT ASSETS	636	16,566	45,671
TOTAL ASSETS	11,710	26,910	56,015
CURRENT LIABILITIES			
Payables	64	64	64
Provisions	0	0	0
TOTAL CURRENT LIABILITIES	64	64	64
TOTAL NON CURRENT LIABILITIES	0	0	0
TOTAL LIABILITIES	64	64	64
NET ASSETS	11,646	26,846	55,951
EQUITY			
Issued Share Capital	12,227	22,227	47,227
Reserves	526	5,726	9,921
Accumulated losses	(1,107)	(1,107)	(1,107)
TOTAL EQUITY	11,646	26,846	56,041

Basis of preparation

Pro-forma 1

Pro-forma 1 shows adjustments to Non Current Assets of A\$15,200,000 to account for the issue of 40,000,000 (at A\$0.25) and 40,000,000 Quoted Options (at A\$0.13) in the event that Shareholders approve the Acquisition at the Meeting.

Pro-forma 2

Pro-forma 2 shows adjustments to Non Current Assets of Pro-forma 1 of A\$29,105,000 to account for the issue of 100,000,000 Shares (at A\$0.25), 10,000,000 Quoted Options (at A\$0.13) 9,000,000 Unquoted Options (at A\$0.24) and 3,500,000 Unquoted 5 Year Options (at A\$0.21) in the event that Shareholders approve the Acquisition at the Meeting and upon the Company being satisfied that the Project has achieved all of the performance milestones set out in section 4.1.

5.2 Impact on capital structure

The following tables outlines the dilution of the existing Share holdings and Option holdings in the Company upon the issue of Shares in accordance with Resolution 1 and Options in accordance with Resolutions 1 - 3. The information assumes that no Options are exercised.

Ordinary Shares on issue at date of this Explanatory Memorandum	105,633,333		
Shares to be issued under Resolution 1	Shares to be issued under each tranche of Consideration	Shares on issue after each tranche of Consideration is paid	Dilution of existing Share holdings
Tranche 1	40,000,000	145,633,333	27.5%
Tranche 2	30,000,000	175,633,333	39.9%
Tranche 3	30,000,000	205,633,333	48.6%
Tranche 4	20,000,000	225,633,333	53.2%
Tranche 5	20,000,000	245,633,333	57.0%

Options on issue at date of this Explanatory Memorandum	104,886,666		
Options to be issued under Resolutions 1 - 3 and 5	Options to be issued under each tranche of Consideration	Options on issue after each tranche of Consideration is paid	Dilution of existing Option holdings
Tranche 1	40,000,000	144,886,666	27.6%
Tranche 2	22,500,000	167,386,666	37.3%

5.3 Voting power of the Vendors

The following table outlines the voting power of Vendors, upon the issue of Shares in accordance with Resolution 1.

Ordinary Shares on issue at date of this Explanatory Memorandum	105,633,333		
Shares to be issued under Resolution 1	Shares to be issued under each tranche of Consideration	Shares on issue after each tranche of Consideration is paid	Voting power of Vendors
Tranche 1	40,000,000	145,633,333	27.5%
Tranche 2	30,000,000	175,633,333	39.9%
Tranche 3	30,000,000	205,633,333	48.6%
Tranche 4	20,000,000	225,633,333	53.2%
Tranche 5	20,000,000	245,633,333	57.0%

In the event that all of the conditions to the issue of the Second, Third, Fourth and Fifth Tranches, and the Management Options are satisfied and all of the Shares and Options are issued, the Vendors will together hold approximately 57% of the enlarged share capital in the Company (assuming that the Company does not issue any additional securities and no Options are exercised). However, each Vendor is independent and not associated with the other Vendors. None of the Vendors will individually have the right or ability to appoint or remove any Directors to or from the Board.

6. Election of Director

6.1 Mario Enrique Bolivar

Mario Enrique Bolivar is a qualified engineer with a postgraduate in management. He has relevant experience serving at executive management level and on the boards of various companies in Colombia.

Mario has over 14 years experience in the resource sector and has been actively involved with development opportunities associated with the mining, oil and gas, engineering and construction, water supply and environmental sectors within Colombia.

Mario has extensive experience and expertise in identifying, evaluating projects and developing new projects within Colombia. He currently serves on the boards of the following companies which operate in various sectors:

- TC Oil & Services S.A. – Exploration and production (oil and gas);
- Grupo Pegasus S.A. – Technology (energy);
- Tecnicontrol S.A. – Engineering and consultancy (energy);
- Operamos 2000 – Water supply and sewer management (water);
- Matpel S.A. – Environmental control (energy);
- Bolivar Foundation – Non-profit organisation (social projects); and

- Petroleum Equipment International Ltda - Equipment supply (oil and gas).
-

7. Resolutions in detail

7.1 Resolution 1 - Proposed Issue of Securities to the Vendors or their nominees

The Directors recommend that Shareholders consider, and if thought fit, pass this resolution for the reasons outlined in section 3.2.

Listing Rule 7.1

Listing Rule 7.1 prevents the Company from issuing Securities during a 12 month period which represent more than 15% of the Company's Securities on issue at the start of the 12 month period, unless the Shareholders approve the issue of the Securities or an exception to Listing Rule 7.1 applies.

The total number of Shares and Options to be issued as part of the Acquisition exceeds 15% of the Company's issued securities as at the date of this Explanatory Memorandum. Accordingly, Shareholder approval is sought for the purposes of Listing Rule 7.1.

Specific information required by Listing Rule 7.3

The Company discloses the following information to Shareholders in accordance with Listing Rule 7.3.

- (a) The Company proposes to issue up to a maximum of 140,000,000 Shares and 20,000,000 Quoted Options under Resolution 1.

The Company proposes to issue the 140,000,000 Shares and 20,000,000 Quoted Options under Resolution 1 in 5 separate tranches, as discussed above in section 4.1, as follows:

- 40,000,000 Shares and 10,000,000 Quoted Options upon Shareholder approval of Resolution 1 (**Tranche 1**);
- 30,000,000 Shares and 10,000,000 Quoted Options after the issue of Tranche 1 has been completed and upon the Company being satisfied that the Project has achieved a defined 250 million tonnes JORC Code compliant Inferred Mineral Resource (**Tranche 2**);
- 30,000,000 Shares after the issue of Tranche 2 has been completed and upon the Company being satisfied that the Project has achieved a defined 500 million tonnes JORC Code compliant Inferred Mineral Resource (**Tranche 3**);
- 20,000,000 Shares upon the Company being satisfied that the Project has shipped 50,000 tonnes of iron sands (**Tranche 4**); and
- 20,000,000 Shares after the issue of Tranche 4 has been completed and upon the Company being satisfied that the Project has shipped 200,000 tonnes of iron sands (**Tranche 5**).

- (b) The Shares and Quoted Options to be issued under Tranche 1, the subject of Resolution 1, will be issued on or before 30 September 2008.

- (c) The Shares and Quoted Options under Tranches 2, 3, 4 and 5, the subject of Resolution 1, will be issued upon the satisfaction of each of the relevant milestone conditions. The Company has obtained a waiver from ASX of Listing Rule 7.3.2 to issue the Shares and Quoted Options under Tranches 2, 3, 4 and 5 on dates which are later than 3 months after the date of the Meeting, as follows.

- (i) The Shares and Quoted Options to be issued under Tranche 2, the subject of Resolution 1, will be issued no later than 12 months after the date of the Meeting.
 - (ii) The Shares and Quoted Options to be issued under Tranche 3, the subject of Resolution 1, will be issued within 18 months after the date of the Meeting.
 - (iii) The Shares and Quoted Options to be issued under Tranche 4, the subject of Resolution 1, will be issued within 24 months after the date of the Meeting.
 - (iv) The Shares and Quoted Options to be issued under Tranche 5, the subject of Resolution 1, will be issued within 36 months after the date of the Meeting.
- (d) The Company proposes to issue the 140,000,000 Shares under Resolution 1 at a deemed issue price of A\$0.25.
- (e) The Company proposes to issue the 20,000,000 Quoted Options under Resolution 1 at a deemed issue price of A\$0.13.
- (f) The Company proposes to issue the 140,000,000 Shares and 20,000,000 Quoted Options under Resolution 1 to the Vendors or their nominees, as each of the Vendors may direct, in the quantities set out below.

Vendor	Shares	Quoted Options
Burns Family Investments as trustee for the Burns Superannuation Fund	37,296,000	5,328,000
Cave Glen as trustee for the Sandra Wise Superannuation Fund	12,320,000	1,760,000
Sassey as trustee for the Avago Superannuation Fund	12,320,000	1,760,000
Sassey as trustee of the Sassey Trust	12,768,000	1,824,000
Grupo Pegasus	37,296,000	5,328,000
Barque Investments	7,000,000	1,000,000
Palmrose	7,000,000	1,000,000
Daniel Paul Wise	7,000,000	1,000,000
Hopetoun Nominees Pty Ltd	7,000,000	1,000,000
Total	140,000,000	20,000,000

- (g) The Shares to be issued under Resolution 1 would, from the date of issue, rank pari passu with, and enjoy the same rights as, all other Shares in the Company on issue.
- (h) The terms and conditions of the Quoted Options to be issued under Resolution 1 are set out in Schedule 2 of this Explanatory Memorandum.
- (i) The Shares to be issued upon exercise of the Quoted Options would, from the date of issue, rank pari passu with, and enjoy the same rights as, all other Shares in the Company on issue.

- (j) The Shares and Quoted Options to be issued under Resolution 1 will be used as consideration for the Acquisition. No funds will be raised from the issue of the Shares or the Quoted Options. Funds raised on exercise of the Quoted Options will be allocated to working capital, exploration and project development activities as determined by the Board.
- (k) The Directors presently intend to allot the Shares and Quoted Options to be issued under Resolution 1 on the date on which they are issued.

Voluntary Escrow

The Vendors and the Company have agreed to enter into voluntary restriction agreements in respect of the Shares and Quoted Options to be issued under Resolution 1. The voluntary restriction agreements will be contractual arrangements between the Company and each of the Vendors, and will restrict each of the Vendors from dealing with 50% of their Shares and Quoted Options for a period of 12 months from the date of issue.

In addition, the Shares and Quoted Options to be issued to the Vendors may be the subject of escrow restrictions pursuant to Listing Rule 9.

Waiver from Listing Rule 7.3.2

The waiver granted by ASX from Listing Rule 7.3.2 is subject to the following conditions.

- (a) The Notice of General Meeting states that the Shares and Quoted Options to be issued in Tranches 2, 3, 4 and 5 may be issued to the Vendors on dates which are later than 3 months after the date of the Meeting, on the following conditions:
 - (i) the Shares and Quoted Options in Tranche 2 may be issued no later than 12 months after the date of the Meeting;
 - (ii) the Shares and Quoted Options in Tranche 3 may be issued within 18 months after the date of the Meeting;
 - (iii) the Shares and Quoted Options in Tranche 4 may be issued within 24 months after the date of the Meeting; and
 - (iv) the Shares and Quoted Options in Tranche 5 may be issued within 36 months after the date of the Meeting.
- (b) The Notice of General Meeting sets out the terms and conditions of the Term Sheet for the issue of the Shares and Quoted Options in Tranches 2, 3, 4 and 5, including the relevant milestones and their assessment.
- (c) For any annual reporting period in which any of the Shares and Quoted Options in Tranches 2, 3, 4 and 5 are issued or remain to be issued, the Company's annual report sets out in reasonable detail the Shares and Quoted Options under Tranches 2, 3, 4 and 5 that:
 - (i) have been issued in the relevant period; and
 - (ii) remain to be issued in the future.

The Company confirms that it has complied with conditions (a) and (b) above, and it will comply with condition (c) above on issue of the Company's annual reports.

7.2 Resolution 2 - Proposed Issue of Securities to Indian Ocean Capital Pty Ltd or its nominees

The Directors recommend that Shareholders consider, and if thought fit, pass this resolution for the reasons outlined in section 4.2.

Listing Rule 7.1

Listing Rule 7.1 prevents the Company from issuing Securities during a 12 month period which represent more than 15% of the Company's Securities on issue at the start of the 12 month period, unless the Shareholders approve the issue of the Securities or an exception to Listing Rule 7.1 applies.

The total number of Shares and Options to be issued as part of the Acquisition exceeds 15% of the Company's issued securities as at the date of this Explanatory Memorandum. Accordingly, Shareholder approval is sought for the purposes of Listing Rule 7.1.

Specific information required by Listing Rule 7.3

The Company discloses the following information to Shareholders in accordance with Listing Rule 7.3.

- (a) The Company proposes to issue a maximum of 30,000,000 Quoted Options under Resolution 2.
- (b) The Quoted Options, the subject of Resolution 2, will be issued on or before 30 September 2008.
- (c) The Company proposes to issue the 30,000,000 Quoted Options under Resolution 2 at a deemed issue price of A\$0.13.
- (d) The Company proposes to issue the 30,000,000 Quoted Options under Resolution 2 to IOC or its nominees as IOC may direct.
- (e) The terms and conditions of the Quoted Options to be issued under Resolution 2 are set out in Schedule 2 of this Explanatory Memorandum.
- (f) The Shares to be issued upon exercise of the Quoted Options would, from the date of issue, rank pari passu with, and enjoy the same rights as, all other Shares in the Company on issue.
- (g) The Quoted Options to be issued under Resolution 2 will be used as payment for deal origination and facilitation. No funds will be raised from the issue of the Quoted Options. Funds raised on exercise of the Quoted Options will be allocated to working capital, exploration and project development activities as determined by the Board.
- (h) The Directors presently intend to allot the Quoted Options to be issued under Resolution 2 on the date on which they are issued.

7.3 Resolution 3 - Proposed Issue of Securities to Senior Management

The Directors recommend that Shareholders consider, and if thought fit, pass this resolution for the reasons outlined in section 4.2.

Listing Rule 7.1

Listing Rule 7.1 prevents the Company from issuing Securities during a 12 month period which represent more than 15% of the Company's Securities on issue at the start of the 12 month period, unless the Shareholders approve the issue of the Securities or an exception to Listing Rule 7.1 applies.

The total number of Shares and Options to be issued as part of the Acquisition exceeds 15% of the Company's issued securities as at the date of this Explanatory Memorandum. Accordingly, Shareholder approval is sought for the purposes of Listing Rule 7.1.

Specific information required by Listing Rule 7.3

The Company discloses the following information to Shareholders in accordance with Listing Rule 7.3.

- (a) The Company proposes to issue up to a maximum of 9,000,000 Unquoted Options and 3,500,000 Unquoted 5 Year Options under Resolution 3.
- (b) The Directors presently intend to issue the Unquoted Options and the Unquoted 5 Year Options to be issued under Resolution 3 upon the Company being satisfied that the Project has achieved a defined 250 million tonnes JORC Code compliant Inferred Mineral Resource and after the issue of Tranche 2 of the Shares and Quoted Options as approved under Resolution 1.
- (c) The Company has obtained a waiver from ASX of Listing Rule 7.3.2 to allow it to issue the Management Options the subject of Resolution 3, on a date which is later than 3 months after the date of the Meeting, being no later than 12 months after the date of the Meeting.
- (d) The Company proposes to issue up to a maximum of 9,000,000 Unquoted Options under Resolution 3 at a deemed issue price of A\$0.24.
- (e) The Company has prepared a valuation which the Board has adopted in relation to the Unquoted Options to be issued under Resolution 3. The valuation uses the Black-Scholes option pricing model and the following assumptions:
 - (i) an exercise price of A\$0.20;
 - (ii) the market price of Shares on 14 July 2008 of A\$0.32;
 - (iii) an exercise date of 30 July 2012;
 - (iv) volatility of 86%; and
 - (v) a risk-free interest rate of 6.5%.
- (f) The Company proposes to issue up to a maximum of 3,500,000 Unquoted 5 Year Options under Resolution 3 at an issue price of A\$0.21.
- (g) The Company has prepared a valuation which the Board has adopted in relation to the Unquoted 5 Year Options to be issued under Resolution 3. The valuation uses the Black-Scholes option pricing model and the following assumptions:
 - (i) an exercise price of A\$0.40;
 - (ii) the market price of Shares on 14 July 2008 of A\$0.32;
 - (iii) an exercise period of 5 years from the date of issue;
 - (iv) volatility of 86%; and
 - (v) a risk-free interest rate of 6.5%.
- (h) The Company proposes to issue up to a maximum of 9,000,000 Unquoted Options and 3,500,000 Unquoted 5 Year Options under Resolution 3 to Senior Management.

- (i) The Shares to be issued upon exercise of the Unquoted Options and the Unquoted 5 Year Options would, from the date of issue, rank pari passu with, and enjoy the same rights as, all other Shares in the Company on issue.
- (j) The terms and conditions of the Unquoted Options to be issued under Resolution 3 are set out in Schedule 3 of this Explanatory Memorandum.
- (k) The terms and conditions of the Unquoted 5 Year Options to be issued under Resolution 3 are set out in Schedule 4 of this Explanatory Memorandum.
- (l) The Unquoted Options and Unquoted 5 Year Options to be issued under Resolution 3 will be used as performance incentives for Senior Management. No funds will be raised from the issue of the Unquoted Options and Unquoted 5 Year Options. Funds raised on exercise of the Unquoted Options and Unquoted 5 Year Options will be allocated to working capital, exploration and project development activities as determined by the Board.
- (m) The Directors presently intend to allot the Unquoted Options and Unquoted 5 Year to be issued under Resolution 3 on the date on which they are issued.
- (n) Senior Management will be restricted from exercising 50% of any Unquoted Options issued under Resolution 3 for a period of 12 months from the date of issue and the remaining 50% of the Unquoted Options issued under Resolution 3 for a period of 24 months from the date of issue.
- (o) Senior Management will be restricted from exercising 50% of any Unquoted 5 Year Options issued under Resolution 3 for a period of 12 months from the date of issue and the remaining 50% of the Unquoted 5 Year Options issued under Resolution 3 for a period of 24 months from the date of issue.

Waiver from Listing Rule 7.3.2

The waiver granted by ASX from Listing Rule 7.3.2 is subject to the following conditions.

- (a) The Notice of General Meeting states that the Management Options may be issued to Senior Management on a date which is later than 3 months after the date of the Meeting on the condition that the Management Options may be issued no later than 12 months after the date of the Meeting.
- (b) The Notice of General Meeting sets out the terms and conditions of the Term Sheet for the issue of the Management Options, including the relevant milestones and their assessment.
- (c) For any annual reporting period in which any of the Management Options are issued or remain to be issued, the Company's annual report sets out in reasonable detail the Management Options that:
 - (i) have been issued in the relevant period; and
 - (ii) remain to be issued in the future.

The Company confirms that it has complied with conditions (a) and (b) above, and it will comply with condition (c) above on issue of the Company's annual reports.

7.4 Resolution 4 - Election of Mario Enrique Bolivar as a Director

In view of Mario Enrique Bolivar's extensive experience and understanding of the Project, Mario's primary role will be to provide the in-country expertise and insight into doing business in Colombia.

Mario's experience in the resources sector in the region will provide the impetus that will enable the Project to progress effectively throughout its life cycle.

The Directors recommend that Shareholders consider, and if thought fit, pass this resolution for the reasons outlined in section 6.1.

7.5 Resolution 5 - Proposed issue of Securities to Grupo Pegasus or its nominees

Grupo Pegasus is a company registered in Panama which holds 33,300 shares in CMC (26.64% of CMC's issued shares). The major shareholder and sole director of the company is Mario Enrique Bolivar.

Under the terms of the purchase consideration of CMC, Grupo Pegasus will be entitled to receive Shares and Quoted Options under Resolution 1 in proportion to its shareholding in CMC.

The Directors (excluding Mario Enrique Bolivar) recommend that Shareholders consider, and if thought fit, pass this resolution for the reasons outlined in section 3.2.

The Securities to be issued under Resolution 5 are included in the number of Securities to be issued under Resolution 1.

Chapter 2E Corporations Act

Chapter 2E of the Corporations Act prohibits the Company, or an entity which the Company controls, from giving a financial benefit to a Related Party of the Company unless either:

- the financial benefit falls within one of the nominated exceptions to the provisions; or
- Shareholders approve the giving of the financial benefit.

An exception to the prohibition in Chapter 2E of the Corporations Act permits the Company to give a financial benefit to a Related Party without the need for Shareholder approval if the benefit is given on terms that would be reasonable in the circumstances if the Company and the Related Party were dealing at arm's length (**arm's length terms**).

A financial benefit includes the issue of Securities and the payment of cash.

Subject to Shareholders approving Resolution 4, Mario Enrique Bolivar will be a Related Party of the Company. Grupo Pegasus is a Related Party of the Company as it is an entity controlled by Mario Enrique Bolivar.

The Board has formed the view that the financial benefit given under the Share Sale Agreement is on arm's length terms. However, the Board considers that it is prudent, from a corporate governance perspective, to seek Shareholder approval for the purposes of Chapter 2E of the Corporations Act.

Specific information required by section 219 of the Corporations Act

The Company discloses the following information to Shareholders in accordance with section 219 of the Corporations Act.

- (a) The Company proposes to give a financial benefit to Grupo Pegasus subject to Shareholder approval of Resolution 5.
- (b) The nature of the financial benefit to be given to Grupo Pegasus is the issue of 37,296,000 Shares and 5,328,000 Quoted Options.
- (c) As at the date of lodgement of the Notice of General Meeting with ASIC, being 29 July 2008 (**ASIC Lodgement Date**), the issued capital of the Company is 105,633,333 Shares and 104,886,666 Quoted Options. The following table sets out a comparison of the current total issued capital of the Company with the issued capital of the Company in the event that Grupo Pegasus exercises all of its 5,328,000 Quoted Options (assuming that Shareholders approve Resolutions 1 - 5,

no currently outstanding Options are exercised and the Company does not issue any additional Securities).

Number of Shares on issue	Number of Shares on issue following issue of Shares to Grupo Pegasus and exercise of Quoted Options by Grupo Pegasus only
105,633,333	148,257,333

- (d) In the event that Shareholders approve Resolutions 1 - 5, the Company issues 37,296,000 Shares and 5,328,000 Quoted Options to Grupo Pegasus, and Grupo Pegasus exercises all of its 5,328,000 Quoted Options, all other Shareholders' holdings in the Company may be diluted by a maximum of approximately 29%. The maximum dilution is based on the number of Shares on issue as at the ASIC Lodgement Date, assuming that no other currently outstanding Options are exercised and the Company does not issue any additional Securities.
- (e) Grupo Pegasus has an interest in the following Securities as at the ASIC Lodgement Date and, assuming that Shareholders approve Resolution 5, will be entitled to the following Securities:

Related Party	Securities currently held by Grupo Pegasus¹	Securities to be issued under Resolution 5
Grupo Pegasus	Nil ²	37,296,000 Shares and 5,328,000 Quoted Options

Note 1: Subject to the Corporations Act, the Listing Rules and the Company's Constitution, Grupo Pegasus may from time to time either dispose of some or all of its Securities, acquire Securities and exercise some or all of its Quoted Options after the ASIC Lodgement Date.

Note 2: Grupo Pegasus does not have a direct or indirect interest in any Shares as at the ASIC Lodgement Date.

- (f) The Company proposes to issue the 37,296,000 Shares and 5,328,000 Quoted Options to Grupo Pegasus as consideration for Grupo Pegasus' shares in CMC. No funds will be raised from the issue of Shares and Quoted Options to Grupo Pegasus. Any funds raised from time to time as a result of Grupo Pegasus exercising any of its Quoted Options will be used as the Board sees fit.
- (g) The Shares and Quoted Options to be issued under Resolution 5 have been valued at the same price as the Shares and Quoted Options issued under Resolution 1. The method of valuation is discussed at section 4.1 of this Notice of General Meeting.
- (h) The terms and conditions of the Quoted Options to be issued under Resolution 5 are set out in Schedule 2 of this Explanatory Memorandum.
- (i) In the event that Shareholders approve Resolution 4, Mario Enrique Bolivar declines to make a recommendation to Shareholders in relation to Resolution 5 due to his material personal interest in the outcome of Resolution 5.
- (j) The other Directors, Anthony Short, Roland Berzins and Gordon Sklenka, do not have a material interest in the outcome of Resolution 5 and they all recommend that Shareholders vote in favour of Resolution 5 on the basis that they consider the issue of Securities and payment of cash is reasonable consideration for the acquisition of Grupo Pegasus' shares in CMC.
- (k) The Chairman intends to vote all undirected proxies in favour of all Resolutions to be considered at this Meeting.

- (l) If Shareholders approve Resolution 5, the Company will issue the Shares and Quoted Options to Grupo Pegasus at the same time as it issues the Shares and Quoted Options to the other Vendors in accordance with Resolution 1. The Company will issue the 37,296,000 Shares and 5,328,000 Quoted Options to Grupo Pegasus in the tranches set out below.

	Shares	Quoted Options	Timing
Tranche 1	10,656,000	2,664,000	On or before 30 September 2008
Tranche 2	7,992,000	2,664,000	Upon the Company being satisfied that the Project has achieved a defined 250 million tonnes JORC compliant Inferred Mineral Resource
Tranche 3	7,992,000	Nil	Upon the Company being satisfied that the Project has achieved a defined 500 million tonnes JORC compliant Inferred Mineral Resource
Tranche 4	5,328,000	Nil	Upon the Project achieving shipment of the first 50,000 tonnes of iron sands
Tranche 5	5,328,000	Nil	Upon the Project achieving shipment of the first 200,000 tonnes of iron sands

- (m) The Company proposes to issue 37,296,000 Shares and 5,328,000 Quoted Options to Grupo Pegasus under the terms of the Share Sale Agreement (which are summarised in Schedule 1 of this Explanatory Memorandum).
- (n) The Directors presently intend to allot the Shares and Quoted Options to be issued under Resolution 5 on the date on which they are issued.
- (o) The Company considers that there is no other information, other than the information set out in this Explanatory Memorandum, which Shareholders would reasonably require in order to decide whether it is in the best interests of the Company to pass Resolution 5.

8. Glossary

The following terms and abbreviations used in the Notice of General Meeting and this Explanatory Memorandum have the following meanings:

Acquisition	means the acquisition by the Company of the total issued capital in CMC from the Vendors.
Affiliate	means, in respect of CMC, any corporation directly or indirectly Controlled by or under common Control of CMC and any corporations which directly or indirectly Controls CMC.
Ashford	means Ashford Investments Limited.
ASIC	means the Australian Securities and Investments Commission.
Associate	means an 'associate' as defined in section 9 of the Corporations Act.
ASX	means ASX Limited ACN 008 624 691.
Aurora Licence	means licence number JAS-14051 which is the subject of an application to Ingeominas for registration.
Barque Investments	means Barque Investments Pty Ltd ACN 131 225 182.
Board	means the Board of Directors from time to time.
Burns Family Investments	means Burns Family Investments WA Pty Ltd ACN 122 055 289.
Cave Glen	means Cave Glen Pty Ltd ACN 065 414 413.
CMC	means Colombia Mining Corporation BVI Company Number 1481368.
CMC Licences	means the Valero Pequeno, Valero, San Bernardo, Morrocoy, El Dorado and Aurora Licences.
Company	means Vector Resources Limited ACN 107 541 453.
Completion	means completion of the Acquisition.
Control	means ownership of more than 30% of the issued share capital of a corporation and/or the right to direct the business and/or policies and/or affairs of a corporation whether by law, contract, governmental decree or regulation, ownership or voting power or otherwise. If one or more corporations fall under the categories set out in this definition (whether or not they are acting in concert) each corporation shall be treated as in Control of the corporation.
Corporations Act	means the Corporations Act 2001 (Cth).
CPI	means the Consumer Price Index.
Director	means a Director of the Company from time to time.
El Dorado Licence	means licence number JAS-14031 which is the subject of an application to Ingeominas for registration.
El Trebol Licence	means licence number GC3-102 which is currently being

	registered with Ingeominas.
End Date	means the End Date as defined in the Share Sale Agreement.
Explanatory Memorandum	means this explanatory memorandum.
Grupo Pegasus	means Grupo Pegasus S.A.
Hopetoun Nominees	means Hopetoun Nominees Pty Ltd ACN 067 015 785.
Horeb Licence	means licence number GR7-121 as granted by Ingeominas.
Inferred Mineral Resource	means that part of a Mineral Resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes which may be limited or of uncertain quality and reliability.
Ingeominas	means the Instituto Colombiano de Geología y Minería.
IOC	means Indian Ocean Capital Pty Ltd ACN 051 227 877.
JORC	means the Australasian Joint Ore Reserves Committee.
JORC Code	means the Code for Reporting of Mineral Resources and Ore Reserves as published by JORC from time to time.
JV Agreements	means the farm-in and joint venture agreements to explore and mine iron sands and other minerals on the areas which are the subject of the JV Licences.
JV Licences	means the Mallorquin, Horeb, La Magdalena and El Trebol Licences.
JV Partners	means the minority holders of the JV Licences.
La Magdalena Licence	means licence number HAU-103 which is currently being registered with Ingeominas.
Listing Rules	means the listing rules of the ASX as amended from time to time.
Mallorquin Licence	means licence number GC3-111 which is currently being registered with Ingeominas.
Management Options	means the Unquoted Options and the Unquoted 5 Year Options to be issued to Senior Management.
Material Adverse Change	means an event, occurrence or matter which individually or when aggregated with all such events, occurrences or matters is reasonably likely to result in a material adverse change to the financial condition, assets, business, reputation or results or operations of CMC or the Project.
Meeting	means the general meeting of Shareholders convened by the Notice of General Meeting.
Mineral Resource	means a concentration or occurrence of material of intrinsic economic interest in or on the Earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction.

Morrocoy Licence	means licence number JAS-14001 which is the subject of an application to Ingeominas for registration.
Notice of General Meeting	means the notice of general meeting which accompanies this Explanatory Memorandum.
Offer	means the pro rata issue of Options to Shareholders as announced to the ASX on 6 February and 11 February 2008.
Option	means an option to acquire one Share.
Optionholder	means a holder of an Option.
Palmrose	means Palmrose Pty Ltd ACN 108 762 394.
Placement	means the issue of Options to clients of IOC as approved by Shareholders on 14 April 2008.
Project	means the Magdalena Iron Sands Project which comprises the area which is the subject of the Project Licences.
Project Licences	means the JV Licences and the CMC Licences.
Quoted Option	means an Option quoted on ASX with the terms and conditions set out in Schedule 2.
Regulatory Authority	means: <ul style="list-style-type: none"> • any government or local authority and any department, minister or agency of any government; and • any other authority, agency, commission or similar entity having powers or jurisdiction under any law or regulation or the listing rules of any recognised stock or securities exchange whether Australian or otherwise.
Resources	means any natural resource including minerals, coal, oil, gas, water or hydro energy.
Related Party	means a related party as defined in section 228 of the Corporations Act.
Royalty	means the royalty payable to Grupo Pegasus by the Company under the terms of the Royalty Deed.
Royalty Deed	means the royalty deed entered into between CMC and the Vendors dated 17 July 2008.
San Bernardo Licence	means licence number JAS-14021 which is the subject of an application to Ingeominas for registration.
Sassey	means Sassey Pty Ltd ACN 008 996 156.
Security	means a Share or Option.
Senior Management	means non-director management and consultants of CMC from time to time.
Share	means an ordinary share in the capital of Vector.
Share Sale Agreement	means the share sale agreement to be entered into between the Vendors and the Company, the terms of which are summarised in Schedule 1.
Shareholder	means a holder of a Share.

TC Oil	means TC Oil and Services S.A. (NIT 830.509.997.5).
Term Sheet	means the term sheet entered into by the Company, Grupo Pegasus, Ashford, Burns Family Investments, Cave Glen, Sassey as trustee for the Avago Superannuation Fund, Sassey as trustee for the Sassey Trust, and TC Oil, dated 29 May 2008.
Transfers	means the transfer of the CMC Licences, which are subject to applications made by TC Oil on CMC's behalf, to CMC.
Unquoted Option	means an Option not quoted on ASX with the terms and conditions set out in Schedule 3.
Unquoted 5 Year Option	means an Option not quoted on ASX with the terms and conditions set out in Schedule 4.
Valero Licence	means licence number JAS-14061 which is the subject of an application to Ingeominas for registration.
Valero Pequeno Licence	means licence number JBQ-10461 which is the subject of an application to Ingeominas for registration.
Vector	means Vector Resources Limited ACN 107 541 453.
Vendors	means Burns Family Investments as trustee for the Burns Superannuation Fund, Cave Glen as trustee for the Sandra Wise Superannuation Fund, Sassey as trustee for the Avago Superannuation Fund, Sassey as trustee for the Sassey Trust, Grupo Pegasus, Barque Investments, Palmrose, Daniel Paul Wise and Hopetoun Nominees.
WST	means Western Standard Time.

Schedule 1 Terms and conditions of the Share Sale Agreement

The material terms and conditions of the Share Sale Agreement are summarised below.

- (a) The consideration for the Acquisition is 140,000,000 Shares and 20,000,000 Quoted Options.
- (b) Completion is subject to various conditions precedent being satisfied or waived, including:
 - (i) ASX has provided a written waiver of Listing Rule 7.3.2 for the issue of Shares and Quoted Options to the Vendors;
 - (ii) all approvals of any Regulatory Authority which the Vendors and the Company agree are necessary or desirable to implement the transactions contemplated by this agreement are obtained and such approvals are not withdrawn or revoked;
 - (iii) no temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction, no preliminary or final decision, determination, or order issued by any Regulatory Authority and no other legal restraint preventing any of the transactions contemplated by this agreement is in effect or has been issued or made and not withdrawn immediately prior to Completion;
 - (iv) no Material Adverse Change has occurred;
 - (v) a resolution of the Shareholders has been passed at a duly convened general meeting of Shareholders to approve the issue of the Shares and Quoted Options to the Vendors for the purposes of, and in accordance with the requirements of Listing Rule 7.1;
 - (vi) a resolution of the Shareholders has been passed at a duly convened general meeting of Shareholders to approve the issue of the Shares and Quoted Options to the Vendors for the purposes of, and in accordance with the requirements of Chapter 2E of the Corporations Act;
 - (vii) the appointment of Mario Enrique Bolivar to the Board; and
 - (viii) the representations and warranties set out in the Share Sale Agreement are true and correct as of the date of execution of the Share Sale Agreement and the date of Completion as though made at those dates.
- (c) The Share Sale Agreement may be terminated upon the occurrence of various events, including:
 - (i) any condition become incapable of satisfaction at any time before the End Date;
 - (ii) any condition has not been satisfied or waived before the End Date;
 - (iii) the Vendors or the Company fail to satisfy their obligations upon Completion and the failure is not remedied within 5 business days after the defaulting party is notified;
 - (iv) the Vendors or the Company breach a warranty in the Share Sale Agreement which relates to solvency; or
 - (v) the Vendors breach a warranty in the Share Sale Agreement which relates to associate and related party relationships between the Vendors.

- (d) The Vendors acknowledge that some or all of the Shares and Quoted Options to be issued to the Vendors will be deemed by ASX to be "restricted securities" (as defined in the Listing Rules) and accordingly agree to enter into a restriction agreement pursuant to Chapter 9 of the Listing Rules in respect of the Shares and Quoted Options which are to be issued to the Vendors. If some or all of the Shares and Quoted Options are not deemed by ASX to be "restricted securities", the Vendors, in any event, each agree to execute a voluntary restriction agreement in respect of 50% of the Shares and Quoted Options to be issued to each of the Vendors to prevent the Vendors from dealing in those Shares and Quoted Options for a period of 12 months from the relevant date of issue.
- (e) The Share Sale Agreement contains other representations and warranties which are typical for an agreement of this nature.

Schedule 2 Terms and conditions of the Quoted Options

1. Entitlement

The Options entitle the holder to subscribe for one Share upon exercise of each Option.

2. Exercise Price and Expiry Date

The Options have an exercise price of A\$0.20 (**Exercise Price**).

The Options have an expiry date of 30 June 2012 (**Expiry Date**).

3. Exercise Period

The Options are exercisable at any time on or prior to the Expiry Date.

4. Notice of Exercise

The Options may be exercised by notice in writing to the Company and payment of the Exercise Price for each Option being exercised. Any notice of exercise of an Option received by the Company will be deemed to be a notice of the exercise of that Option as at the date of receipt.

5. Shares issued on exercise

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

6. Quotation of Shares on exercise

Application will be made by the Company to ASX for official quotation of the Shares issued upon the exercise of the Options.

7. Timing of issue of Shares

After an Option is validly exercised, the Company must, at the later to occur of, 15 Business Days of the notice of exercise and receipt of cleared funds equal to the sum payable on the exercise of the Options and 5 Business Days of the Company being in a position to comply with paragraph (b)(ii) below:

- (a) issue and allot the Share; and
- (b) do all such acts matters and things to:
 - (i) obtain the grant of quotation for the Share on ASX; and
 - (ii) ensure that the sale of the Share within 12 months of issue does not cause a breach of the Corporations Act.

8. 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.

However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least ten business days after the issue is announced. This will give the holders of Options the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.

9. Adjustment for bonus issues of Shares

If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction, of dividends or by way of dividend reinvestment):

- (a) the number of Shares which must be issued on the exercise of an Option will be increased by the number of Shares which the Optionholder would have received if the Optionholder had exercised the Option before the record date for the bonus issue; and
- (b) no change will be made to the Exercise Price.

10. Adjustment for rights issue

If the Company makes an issue of Shares pro rata to existing Shareholders (other than an issue in lieu of in satisfaction of dividends or by way of dividend reinvestment) the Exercise Price of an Option will be reduced according to the following formula:

$$\text{New exercise price} = \frac{O - E[P-(S+D)]}{N + 1}$$

- O = the old Exercise Price of the Option.
- E = the number of underlying Shares into which one Option is exercisable.
- P = average market price per Share weighted by reference to volume of the underlying Shares during the 5 trading days ending on the day before the ex rights date or ex entitlements date.
- S = the subscription price of a Share under the pro rata issue.
- D = the dividend due but not yet paid on the existing underlying Shares (except those to be issued under the pro rata issue).
- N = the number of Shares with rights or entitlements that must be held to receive a right to one new share.

11. Adjustments for reorganisation

If there is any reconstruction of the issued share capital of the Company, the rights of the Optionholders may be varied to comply the Listing Rules which apply to the reconstruction at the time of the reconstruction.

12. Options transferable

The Options are transferable.

13. Lodgement Instructions

Cheques shall be in Australian currency made payable to the Company and crossed "Not Negotiable". The application for shares on exercise of the Options with the appropriate remittance should be lodged at the Company's Registry.

Schedule 3 Terms and conditions of the Unquoted Options

1. Entitlement

The Options entitle the holder to subscribe for one Share upon exercise of each Option.

2. Exercise Price and Expiry Date

The Options have an exercise price of A\$0.20 (**Exercise Price**).

The Options have an expiry date of 30 July 2012 (**Expiry Date**).

3. Exercise Period

The Options are exercisable at any time on or prior to the Expiry Date.

4. Notice of Exercise

The Options may be exercised by notice in writing to the Company and payment of the Exercise Price for each Option being exercised. Any notice of exercise of an Option received by the Company will be deemed to be a notice of the exercise of that Option as at the date of receipt.

5. Shares issued on exercise

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

6. Quotation of Shares on exercise

Application will be made by the Company to ASX for official quotation of the Shares issued upon the exercise of the Options.

7. Timing of issue of Shares

After an Option is validly exercised, the Company must, at the later to occur of, 15 Business Days of the notice of exercise and receipt of cleared funds equal to the sum payable on the exercise of the Options and 5 Business Days of the Company being in a position to comply with paragraph (b)(ii) below:

- (a) issue and allot the Share; and
- (b) do all such acts matters and things to:
 - (i) obtain the grant of quotation for the Share on ASX; and
 - (ii) ensure that the sale of the Share within 12 months of issue does not cause a breach of the Corporations Act.

8. 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.

However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least ten business days after the issue is announced. This will give the holders of Options the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.

9. Adjustment for bonus issues of Shares

If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction, of dividends or by way of dividend reinvestment):

- (a) the number of Shares which must be issued on the exercise of an Option will be increased by the number of Shares which the Optionholder would have received if the Optionholder had exercised the Option before the record date for the bonus issue; and
- (b) no change will be made to the Exercise Price.

10. Adjustment for rights issue

If the Company makes an issue of Shares pro rata to existing Shareholders (other than an issue in lieu of in satisfaction of dividends or by way of dividend reinvestment) the Exercise Price of an Option will be reduced according to the following formula:

$$\text{New exercise price} = \frac{O - E[P - (S + D)]}{N + 1}$$

- O = the old Exercise Price of the Option.
- E = the number of underlying Shares into which one Option is exercisable.
- P = average market price per Share weighted by reference to volume of the underlying Shares during the 5 trading days ending on the day before the ex rights date or ex entitlements date.
- S = the subscription price of a Share under the pro rata issue.
- D = the dividend due but not yet paid on the existing underlying Shares (except those to be issued under the pro rata issue).
- N = the number of Shares with rights or entitlements that must be held to receive a right to one new share.

11. Adjustments for reorganisation

If there is any reconstruction of the issued share capital of the Company, the rights of the Optionholders may be varied to comply the Listing Rules which apply to the reconstruction at the time of the reconstruction.

12. Quotation of Options

The Options will be unlisted Options and no application for quotation of the Options will be made by the Company until such time as the Company in its absolute discretion determines otherwise. Should the Company make an application for a quotation of the Options and the ASX accepts the application for quotation of the Options then the Options will be listed Options from the time that the ASX accepts such application.

13. Options transferable

The Options are non-transferable while they are unlisted. Should the Options become listed Options in accordance with item 12 above then the Options will be transferable.

14. Lodgement Instructions

Cheques shall be in Australian currency made payable to the Company and crossed "Not Negotiable". The application for shares on exercise of the Options with the appropriate remittance should be lodged at the Company's Registry.

Schedule 4 Terms and conditions of the Unquoted 5 Year Options

1. Entitlement

The Options entitle the holder to subscribe for one Share upon exercise of each Option.

2. Exercise Price and Expiry Date

The Options have an exercise price of A\$0.40 (**Exercise Price**).

The Options have an expiry date of 5 years from the date of issue (**Expiry Date**).

3. Exercise Period

The Options are exercisable at any time on or prior to the Expiry Date.

4. Notice of Exercise

The Options may be exercised by notice in writing to the Company and payment of the Exercise Price for each Option being exercised. Any notice of exercise of an Option received by the Company will be deemed to be a notice of the exercise of that Option as at the date of receipt.

5. Shares issued on exercise

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

6. Quotation of Shares on exercise

Application will be made by the Company to ASX for official quotation of the Shares issued upon the exercise of the Options.

7. Timing of issue of Shares

After an Option is validly exercised, the Company must, at the later to occur of, 15 Business Days of the notice of exercise and receipt of cleared funds equal to the sum payable on the exercise of the Options and 5 Business Days of the Company being in a position to comply with paragraph (b)(ii) below:

- (a) issue and allot the Share; and
- (b) do all such acts matters and things to:
 - (i) obtain the grant of quotation for the Share on ASX; and
 - (ii) ensure that the sale of the Share within 12 months of issue does not cause a breach of the Corporations Act.

8. 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.

However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least ten business days after the issue is announced. This will give the holders of Options the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.

9. Adjustment for bonus issues of Shares

If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction, of dividends or by way of dividend reinvestment):

- (a) the number of Shares which must be issued on the exercise of an Option will be increased by the number of Shares which the Optionholder would have received if the Optionholder had exercised the Option before the record date for the bonus issue; and
- (b) no change will be made to the Exercise Price.

10. Adjustment for rights issue

If the Company makes an issue of Shares pro rata to existing Shareholders (other than an issue in lieu of in satisfaction of dividends or by way of dividend reinvestment) the Exercise Price of an Option will be reduced according to the following formula:

$$\text{New exercise price} = \frac{O - E[P - (S + D)]}{N + 1}$$

- O = the old Exercise Price of the Option.
- E = the number of underlying Shares into which one Option is exercisable.
- P = average market price per Share weighted by reference to volume of the underlying Shares during the 5 trading days ending on the day before the ex rights date or ex entitlements date.
- S = the subscription price of a Share under the pro rata issue.
- D = the dividend due but not yet paid on the existing underlying Shares (except those to be issued under the pro rata issue).
- N = the number of Shares with rights or entitlements that must be held to receive a right to one new share.

11. Adjustments for reorganisation

If there is any reconstruction of the issued share capital of the Company, the rights of the Optionholders may be varied to comply the Listing Rules which apply to the reconstruction at the time of the reconstruction.

12. Quotation of Options

The Options will be unlisted Options and no application for quotation of the Options will be made by the Company until such time as the Company in its absolute discretion determines otherwise. Should the Company make an application for a quotation of the Options and the ASX accepts the application for quotation of the Options then the Options will be listed Options from the time that the ASX accepts such application.

13. Options transferable

The Options are non-transferable while they are unlisted. Should the Options become listed Options in accordance with item 12 above then the Options will be transferable.

14. Lodgement Instructions

Cheques shall be in Australian currency made payable to the Company and crossed "Not Negotiable". The application for shares on exercise of the Options with the appropriate remittance should be lodged at the Company's Registry.

PROXY FORM

VECTOR RESOURCES LIMITED

ACN 107 541 453

The Company Secretary
Vector Resources Limited

By delivery:
Suite 2, Ground Floor
16 Ord Street
WEST PERTH WA 6005

By post:
P O Box 1179
WEST PERTH WA 6872

By facsimile:
08 9486 1011

I/We ¹ _____
of _____
being a Shareholder/Shareholders of the Company and entitled to _____
votes in the Company, hereby appoint ² _____
or failing such appointment the chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Meeting of the Company to be held at The Celtic Club Inc, 48 Ord St, West Perth, Perth, Western Australia 6005 on Friday, 5 September 2008 at 10.30 am (WST) and at any adjournment thereof in the manner indicated below or, in the absence of indication, as he thinks fit. If 2 proxies are appointed, the proportion or number of votes of this proxy is authorised to exercise is * []% of the Shareholder's votes*/ [] of the Shareholder's votes. (An additional Proxy Form will be supplied by the Company, on request).

**INSTRUCTIONS AS TO VOTING ON THE RESOLUTIONS
IMPORTANT:**

The chairman of the Meeting intends to vote undirected proxies in favour of the Resolutions.

The proxy is to vote for or against the Resolution referred to in the Notice of General Meeting as follows:

	For	Against	Abstain
Resolution 1 Proposed issue of Securities to the Vendors or their nominees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 Proposed issue of Securities to Indian Ocean Capital or its nominees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 Proposed issue of Securities to Senior Management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 Election of Mario Enrique Bolivar as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5 Proposed issue of Securities to Grupo Pegasus or its nominees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Authorised signature/s This section **must** be signed in accordance with the instructions overleaf to enable your voting instructions to be implemented.

Individual or Shareholder 1

Shareholder 2

Shareholder 3

Sole Director and Sole Company Secretary

Director

Director/Company Secretary

Contact Name

Contact Daytime Telephone

Date

¹Insert name and address of shareholder

² Insert name and address of proxy

*Omit if not applicable

Proxy Notes:

A Shareholder entitled to attend and vote at the Meeting may appoint a person or a corporation as the Shareholder's proxy to attend and vote for the Shareholder at that Meeting. If the Shareholder is entitled to cast 2 or more votes at the Meeting the Shareholder may appoint not more than 2 proxies. Where the Shareholder appoints more than one proxy the Shareholder may specify the proportion or number of votes each proxy is appointed to exercise. If such proportion or number of votes is not specified each proxy may exercise half of the Shareholder's votes. A proxy may, but need not be, a Shareholder of the Company.

If a Shareholder appoints a corporation as the Shareholder's proxy to attend and vote for the Shareholder at that meeting, the representative of the corporation to attend the meeting must produce the appropriate Certificate of Appointment of Representation prior to admission. A form of the certificate may be obtained from the Company's share registry.

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

Joint Holding: where the holding is in more than one name all of the holders must sign.

Power of Attorney: if signed under a Power of Attorney, you must have already lodged it with the registry, or alternatively, attach a certified photocopy of the Power of Attorney to this Proxy Form when you return it.

Companies: a Director can sign jointly with another Director or a Company Secretary. A sole Director who is also a sole Company Secretary can also sign. Please indicate the office held by signing in the appropriate space.

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Representative" should be produced prior to admission. A form of the certificate may be obtained from the Company's Share Registry.

Proxy Forms (and the power of attorney or other authority, if any, under which the Proxy Form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the Proxy Form (and the power of attorney or other authority) must be deposited at or received by facsimile transmission at Advanced Share Registry Services, 150 Stirling Highway, Nedlands WA, 6009, or facsimile 08 9389 7871 if faxed from within Australia or +618 9389 7871 if faxed from outside Australia) not less than 48 hours prior to the time of commencement of the Meeting (WST).