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**LITHIUM AUSTRALIA NL**

**ABN 29 126 129 413**

**NOTICE OF ANNUAL GENERAL MEETING**

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**TIME:** 10am WST

**DATE:** 28 November 2016

**PLACE:** Level 1  
675 Murray Street  
West Perth WA 6005

***This Notice of Annual General Meeting and accompanying Explanatory Memorandum should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.***

***Should you wish to discuss the matters in this Notice of Annual General Meeting please do not hesitate to contact the Company Secretary, Mr Barry Woodhouse on (08) 6145 0288.***

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## TIME AND PLACE OF MEETING AND HOW TO VOTE

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### TIME AND PLACE

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The Annual General Meeting will be held at **10am WST on 28 November 2016** at Level 1, 675 Murray Street, West Perth WA 6005.

### YOUR VOTE IS IMPORTANT

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

### ATTENDANCE AND VOTING ELIGIBILITY

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The Directors have determined pursuant to Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Annual General Meeting are those who are registered Shareholders at 10am WST on 26 November 2016.

### VOTING IN PERSON

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To vote in person, attend the Annual General Meeting on the date and at the place set out above.

### VOTING ONLINE

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To vote online, go to [www.advancedshare.com.au](http://www.advancedshare.com.au) (and you will need your SRN or HIN to log in).

### VOTING BY PROXY

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You can appoint a proxy to attend and vote on your behalf as an alternative to attending the Meeting in person or casting a direct vote.

A proxy need not be a Shareholder and may be an individual or a company. If you are entitled to cast two or more votes at the Meeting, you may appoint up to two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If you do not specify a proportion or number, each proxy may exercise half of the votes.

To vote by proxy, please vote online or complete and sign the enclosed Proxy Form in accordance with the instructions set out on the form and either send the Proxy Form:

- i. by voting online at [www.advancedshare.com.au](http://www.advancedshare.com.au);
- ii. by delivering it in person to Advanced Share Registry Limited, 110 Stirling Highway, Nedlands WA 6009;
- iii. by post, to Advanced Share Registry Limited, PO Box 1156, Nedlands WA 6909;
- iv. by facsimile to the Company's Share Registry on +61 8 9262 3723; or
- v. by email to [admin@advancedshare.com.au](mailto:admin@advancedshare.com.au) in pdf form.

so that your vote is received not later than **10am WST on 26 November 2016**.

**Proxy Forms received later than this time will be invalid.**

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## NOTICE OF ANNUAL GENERAL MEETING

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Notice is given that the Annual General Meeting of shareholders of Lithium Australia NL will be held at Level 1, 675 Murray Street, West Perth WA 6005 at 10am WST on 28 November 2016.

The Explanatory Memorandum provides additional information on matters to be considered at the Annual General Meeting. The Explanatory Memorandum and the Proxy Form are part of this Notice.

Terms and abbreviations used in this Notice of Meeting and Explanatory Memorandum are defined in the Glossary unless defined elsewhere in the Explanatory Memorandum.

### AGENDA

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#### Reports and Accounts

To receive and consider the 2016 Annual Report, together with the declaration of the Directors, the Directors' Report, the Remuneration Report and the auditor's report thereon.

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#### 1. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT (NON-BINDING)

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

*"That, for the purpose of Section 250R(2) of the Corporations Act and for all other purposes, approval is given for the Company to adopt the Remuneration Report for the financial year ended 30 June 2016."*

**Note: the vote on this Resolution is advisory only and does not bind the Directors or the Company.** However, if 25% or more votes that are cast are voted against the adoption of the Remuneration Report at two consecutive annual general meetings of the Company, Shareholders will be required to vote at the second of those annual general meetings on a resolution (a "spill resolution") that another meeting be held within 90 days at which all of the Directors (other than the Managing Director) must go up for re-election.

#### Voting Prohibition Statement:

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

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

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

- (c) the voter is appointed as a proxy appointed by writing that specifies the way the proxy is to vote on the Resolution; and
- (d) the voter is the Chair and the appointment of the Chair as proxy:
  - (i) does not specify the way the proxy is to vote on this Resolution; and

- (ii) expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company, or if the Company is part of a consolidated entity, for the entity.

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## 2. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – GEORGE BAUK

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

*“That George Bauk, being a Director who retires by rotation in accordance with the Constitution and, being willing and eligible for re-election, is hereby re-elected as a Director.”*

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## 3. RESOLUTION 3 – APPROVAL FOR ADDITIONAL PLACEMENT CAPACITY

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

*“That, for the purpose of ASX Listing Rule 7.1A and for all other purposes, approval is given for the issue and allotment of Equity Securities totaling up to 10% of the number of Shares on issue (at the time of the issue) over a 12 month period, calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions set out in the Explanatory Memorandum.”*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by a person (and any associates of such a person) who may participate in the proposed issue of Equity Securities under this Resolution and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of Shares. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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## 4. RESOLUTION 4 – RATIFICATION OF THE ISSUE OF SHARES

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

*“That, for the purpose of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify and approve the issue and allotment of 400,000 Shares on the terms and conditions and in the manner set out in the Explanatory Memorandum.”*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by a person (and any associates of such a person) who participated in the issue of securities. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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## 5. RESOLUTION 5 – APPROVAL OF ISSUE OF PERFORMANCE RIGHTS TO ADRIAN GRIFFIN

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

*“That approval is given for the purposes of Sections 200B and 200E and Chapter 2E of the Corporations Act and of Listing Rule 10.11 and for all other purposes, for the grant of 5,000,000 Performance Rights to Mr Adrian Griffin, and the issue of Shares subject of the Performance Rights on the terms and conditions, and in the manner, set out in the Explanatory Memorandum.”*

**Voting Exclusion:** Under section 224(1) of the Corporations Act the Company will disregard any votes cast on the Resolution by Adrian Griffin and any of his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

### **Voting Prohibition Statement:**

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

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

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

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

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## 6. RESOLUTION 6 – APPROVAL OF ISSUE OF PERFORMANCE RIGHTS TO BRYAN DIXON

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

*“That approval is given for the purposes of Sections 200B and 200E and Chapter 2E of the Corporations Act and of Listing Rule 10.11 and for all other purposes, for the grant of 2,500,000 Performance Rights to Mr Bryan Dixon, and the issue of Shares subject of the Performance Rights on the terms and conditions, and in the manner, set out in the Explanatory Memorandum.”*

**Voting Exclusion:** Under section 224(1) of the Corporations Act the Company will disregard any votes cast on the resolution by Bryan Dixon or any of his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

**Voting Prohibition Statement:**

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

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

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

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

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**7. RESOLUTION 7 – APPROVAL OF ISSUE OF PERFORMANCE RIGHTS TO GEORGE BAUK**

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

*“That approval is given for the purposes of Sections 200B and 200E and Chapter 2E of the Corporations Act and of Listing Rule 10.11 and for all other purposes, for the grant of 2,500,000 Performance Rights to Mr George Bauk, and the issue of Shares subject of the Performance Rights on the terms and conditions, and in the manner, set out in the Explanatory Memorandum.”*

**Voting Exclusion:** Under section 224(1) of the Corporations Act the Company will disregard any votes cast on the resolution by George Bauk or any of his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

**Voting Prohibition Statement:**

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

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

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

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

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**DATED: 19 October 2016**  
**BY ORDER OF THE BOARD**

**Barry Woodhouse**  
**COMPANY SECRETARY**  
**LITHIUM AUSTRALIA NL**

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## **EXPLANATORY MEMORANDUM**

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This Explanatory Memorandum has been prepared to provide information which the Directors believe to be material to Shareholders in deciding how to vote on the Resolutions. The Directors recommend that Shareholders read this Explanatory Memorandum in full, together with the accompanying Notice.

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### **FINANCIAL STATEMENTS**

In accordance with the Constitution, the business of the Annual General Meeting will include receipt and consideration of the 2016 Annual Report together with the declaration of the Directors, the Directors' Report, the Remuneration Report and the Auditor's Report thereon.

The Company will not provide a hard copy of 2016 Annual Report to Shareholders unless specifically requested to do so. The 2016 Annual Report is available on the Company's website at [www.lithium-au.com](http://www.lithium-au.com) .

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### **1. RESOLUTION 1 – REMUNERATION REPORT (NON-BINDING RESOLUTION)**

#### **1.1 General**

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

The Remuneration Report sets out the Company's remuneration arrangements for the Directors and senior management of the Company. The Remuneration Report is part of the Directors' Report contained in the 2016 Annual Report.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the Annual General Meeting.

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### **2. RESOLUTION 2 – RE-ELECTION OF GEORGE BAUK**

Rule 73.1 of the Constitution requires that at every annual general meeting of the Company, one third of Directors, or if their number is not three or a multiple of three, then the nearest to but not more than one third, must retire from office and if eligible seek re-election in accordance with the Constitution.

A retiring Director is eligible for re-election. The Directors to retire at any annual general meeting must be those who have been longest in office since their last election but, as between persons who became Directors on the same day, those to retire must (unless they otherwise agree among themselves) be determined by lot.

George Bauk retires and seeks re-election in accordance with ASX Listing Rule 14.4 and rule 73.1 of the Constitution. Details regarding George Bauk are set out in the 2016 Annual Report.

The Directors, other than George Bauk, recommend that Shareholders vote in favour of Resolution 2.



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### 3. RESOLUTION 3 – APPROVAL FOR ADDITIONAL PLACEMENT CAPACITY

#### 3.1 General

ASX Listing Rule 7.1A provides that an Eligible Entity may seek Shareholder approval to allow it to issue Equity Securities up to 10% of its issued capital over a period up to 12 months after the entity's annual general meeting (**10% Placement Capacity**).

The Company is an Eligible Entity.

If Shareholders approve Resolution 3, the number of Equity Securities the Company may issue under the 10% Placement Capacity will be determined in accordance with the formula prescribed in ASX Listing Rule 7.1A.2.

The effect of Resolution 3 will be to allow the Directors to issue Equity Securities up to 10% of the Company's fully paid ordinary securities on issue under the 10% Placement Capacity during the period up to 12 months after the Meeting, without subsequent Shareholder approval and without using the Company's 15% annual placement capacity granted under Listing Rule 7.1.

Resolution 3 is a **special resolution**. Accordingly, at least 75% of votes cast by Shareholders present and eligible to vote at the Meeting must be in favour of Resolution 3 for it to be passed.

#### 3.2 ASX Listing Rule 7.1A

ASX Listing Rule 7.1A came into effect on 1 August 2012 and enables an Eligible Entity to seek shareholder approval at its annual general meeting to issue Equity Securities in addition to those under the Eligible Entity's 15% annual placement capacity.

An Eligible Entity is one that, as at the date of the relevant annual general meeting:

- (a) is not included in the S&P/ASX 300 Index; and
- (b) has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300,000,000.

The Company is an Eligible Entity as it is not included in the S&P/ASX 300 Index and has a current market capitalisation of \$44.47m (as at 19 October 2016).

The Equity Securities must be in the same class as an existing class of quoted Equity Securities. The Company currently has two classes of quoted Equity Securities on issue, being the Shares (ASX Code: LIT) and Partly Paid Shares (ASX Code: LITCE).

#### Formula for calculating Additional 10% Placement Facility

Listing Rule 7.1A.2 provides that eligible entities which have obtained shareholder approval at an annual general meeting may issue or agree to issue, during the 12 month period after the date of the annual general meeting, a number of Equity Securities calculated in accordance with the following formula:

$$(a \times d) - e$$

Where:

**a** is the number of shares on issue 12 months before the date of issue or agreement:

- (a) plus the number of fully paid shares issued in the 12 months under an exception in Listing Rule 7.2;
- (b) plus the number of partly paid shares that became fully paid in the 12 months;

- (c) *plus the number of fully paid shares issued in the 12 months with approval of holders of shares under Listing Rule 7.1 and 7.4. This does not include an issue of fully paid shares under the entity's 15% annual placement capacity without shareholder approval;*
- (d) *less the number of fully paid shares cancelled in the 12 months.*

*Note that **A** has the same meaning in Listing Rule 7.1 when calculating an entity's 15% annual placement capacity.*

***d** is 10%.*

***e** is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of issue or agreement to issue that are not issued with the approval of shareholders under Listing Rule 7.1 or 7.4.*

### **3.3 Technical information required by ASX Listing Rule 7.3A**

Pursuant to and in accordance with ASX Listing Rule 7.3A, the information below is provided in relation to this Resolution 3:

#### **(a) Minimum Price at which Equity Securities may be issued**

The minimum price at which the Equity Securities may be issued is 75% of the volume weighted average price of Equity Securities in that class, calculated over the 15 Trading Days on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 5 Trading Days of the date in paragraph 3.3(a)(i), the date on which the Equity Securities are issued.

#### **(b) Date of Issue**

The Equity Securities may be issued under the 10% Placement Capacity commencing on the date of the Annual General Meeting and expiring on the first to occur of the following:

- (i) 12 months after the date of the Annual General Meeting; and
- (ii) the date of approval by Shareholders of any transaction under ASX Listing Rules 11.1.2 (a significant change to the nature or scale of the Company's activities) or 11.2 (disposal of the Company's main undertaking), after which date, an approval under Listing Rule 7.1A ceases to be valid.

#### **(c) Risk of economic and voting dilution**

Any issue of Equity Securities under the 10% Placement Capacity will dilute the interests of Shareholders who do not receive any Shares under the issue.

If Resolution 3 is approved by Shareholders and the Company issues the maximum number of Equity Securities available under the 10% Placement Capacity, the economic and voting dilution of existing Shares would be as shown in the table below.

The table below shows the dilution of existing Shareholders calculated in accordance with the formula outlined in ASX Listing Rule 7.1A.2, on the basis of

the current market price of Shares and the current number of Equity Securities on issue as at the date of this Notice.

The table also shows the voting dilution impact where the number of Shares on issue changes and the economic dilution where there are changes in the issue price of Shares issued under the 10% Placement Capacity.

Number of Shares on Issue (variable "A" in ASX Listing Rule 7.1A.2)	Dilution			
	Dilution based on number of Shares issued (being 10% of the number of Shares at the time of issue)	Funds raised based on issue price of \$0.095 (50% decrease in current issue price)	Funds raised based on issue price of \$0.19 (Current issue price)	Funds raised based on issue price of \$0.285 (50% increase in current issue price)
<b>243,467,464 (Current)</b>	24,346,746	\$2,312,941	\$4,625,882	\$6,938,823
<b>365,201,196 (50% increase)*</b>	36,520,120	\$3,469,411	\$6,938,823	\$10,408,234
<b>486,934,928 (100% increase)*</b>	48,693,493	\$4,625,882	\$9,251,764	\$13,877,646

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

**The table above uses the following assumptions:**

1. The current shares on issue are as at the date of this Notice.
2. The issue price set out above is based on 75% of the 15 day weighted average volume using the closing price of the Shares on the ASX on 19 October 2016 (\$0.185).
3. The Company issues the maximum possible number of Equity Securities under the 10% Placement Capacity.
4. The Company has not issued any Equity Securities in the 12 months prior to the Annual General Meeting that were not issued under an exception in ASX Listing Rule 7.2 or with approval under ASX Listing Rule 7.1.
5. The calculations above do not show the dilution that any one particular Shareholder will be subject to. All Shareholders should consider the dilution caused to their own shareholding depending on their specific circumstances.
6. This table does not set out any dilution pursuant to approvals under ASX Listing Rule 7.1.
7. The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.

Shareholders should note that there is a risk that:

- (i) the market price for Shares may be significantly lower on the issue date than on the date of the Annual General Meeting; and

- (ii) the Shares may be issued at a price that is at a discount to the market price for those Shares on the date of issue.

(d) **Purpose of Issue under 10% Placement Capacity**

The Company may issue Equity Securities under the 10% Placement Capacity for the following purposes:

- (i) as cash consideration, in which case the Company intends to use funds raised for:
  - (A) the acquisition of new resources, assets and investments (including expenses associated with such an acquisition); and
  - (B) continued exploration expenditure on the Company's exploration projects including the Greenbushes Project, the Electra Project, the Gascoyne Project, the Bynoe Project and the Far North Queensland Project; or
- (ii) as non-cash consideration for the acquisition of new resources assets and investments, in such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3.

(e) **Allocation policy for issues under the 10% Placement Capacity**

The allottees of the Equity Securities to be issued under the 10% Placement Capacity have not yet been determined. However, the allottees of Equity Securities could consist of current Shareholders or new investors (or both), none of whom will be related parties of the Company.

The Company will determine the allottees at the time of the issue under the 10% Placement Capacity, having regard to the following factors:

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

Further, if the Company is successful in acquiring new resources, assets or investments, it is likely that the allottees under the 10% Placement Capacity will be vendors of the new resources, assets or investments.

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

The Company obtained approval under ASX Listing Rule 7.1A at its previous annual general meeting on 30 November 2015. In accordance with Listing Rule 7.3A.6, since 30 November 2015, the Company has issued 228,031,807 Equity

Securities (106,986,311 Shares and 121,045,496 Partly Paid Shares (paid to \$0.0001)) which represents 55.79% of the total number of Equity Securities on issue on 19 October 2016. The Equity Securities issued during this time were as follows:

<b>Issue date</b>	<b>Equity Securities</b>	<b>Persons issued to or basis of issue</b>	<b>Price amount raised and use of funds or value of non-cash consideration</b>
3 December 2015	365,313 Shares	Shares issued to holders of \$0.05 Partly Paid Shares upon those Partly Paid Shares becoming fully paid	Funds of \$10,594 were raised from the \$0.05 Partly Paid Shares becoming fully paid and were used for general working capital purposes.
8 December 2015	851,649 Shares	Shares issued to holders of \$0.05 Partly Paid Shares upon those Partly Paid Shares becoming fully paid	Funds of \$24,698 were raised from the \$0.05 Partly Paid Shares becoming fully paid and were used for general working capital purposes.
24 December 2015	2,024,000 Shares	Shares issued to holders of \$0.05 Partly Paid Shares upon those Partly Paid Shares becoming fully paid	Funds of \$58,896 were raised from the \$0.05 Partly Paid Shares becoming fully paid and were used for general working capital purposes.
30 December 2015	789,646 Shares	Shares issued to holders of \$0.05 Partly Paid Shares upon those Partly Paid Shares becoming fully paid	Funds of \$22,900 were raised from the \$0.05 Partly Paid Shares becoming fully paid and were used for general working capital purposes.
11 January 2016	2,780,750 Shares	Shares issued to holders of \$0.05 Partly Paid Shares upon those Partly Paid Shares becoming fully paid	Funds of \$80,642 were raised from the \$0.05 Partly Paid Shares becoming fully paid and were used for general working capital purposes.
11 January 2016	855,000 Shares	Shares issued to holders of \$0.05 Partly Paid Shares upon those Partly Paid Shares becoming fully paid	Funds of \$24,795 were raised from the \$0.05 Partly Paid Shares becoming fully paid and were used for general working capital purposes.
15 January 2016	18,174,575 Shares	Private Investors	The Shares were issued for \$0.14 and funds were used by the Company primarily for project development expenditure and general working capital purposes.
15 January 2016	30,000,000 Shares	Private Investors	The Shares were issued for \$0.14 and funds were used by the Company primarily for project development expenditure and general working capital purposes.

20 January 2016	150,000 Shares	Shares issued to holders of \$0.05 Partly Paid Shares upon those Partly Paid Shares becoming fully paid	Funds of \$4,350 were raised from the \$0.05 Partly Paid Shares becoming fully paid and were used for general working capital purposes.
20 January 2016	1,485,403 Shares	Directors & Senior Management	The Shares were issued at an average of \$0.0849 as per Director & Senior Management Fee & Remuneration Sacrifice Share Plan. The current value of these shares is \$274,800
22 January 2016	1,028,285 Shares	Shares issued to holders of \$0.05 Partly Paid Shares upon those Partly Paid Shares becoming fully paid	Funds of \$29,820 were raised from the \$0.05 Partly Paid Shares becoming fully paid and were used for general working capital purposes.
29 January 2016	1,563,462 Shares	Shares issued to holders of \$0.05 Partly Paid Shares upon those Partly Paid Shares becoming fully paid	Funds of \$45,340 were raised from the \$0.05 Partly Paid Shares becoming fully paid and were used for general working capital purposes.
5 February 2016	79,375 Shares	Shares issued to holders of \$0.05 Partly Paid Shares upon those Partly Paid Shares becoming fully paid	Funds of \$2,302 were raised from the \$0.05 Partly Paid Shares becoming fully paid and were used for general working capital purposes.
26 February 2016	2,160,445 Shares	Shares issued to holders of \$0.05 Partly Paid Shares upon those Partly Paid Shares becoming fully paid	Funds of \$62,653 were raised from the \$0.05 Partly Paid Shares becoming fully paid and were used for general working capital purposes.
4 March 2016	2,927,639 Shares	Shares issued to holders of \$0.05 Partly Paid Shares upon those Partly Paid Shares becoming fully paid	Funds of \$84,902 were raised from the \$0.05 Partly Paid Shares becoming fully paid and were used for general working capital purposes.
11 March 2016	1,242,004 Shares	Shares issued to holders of \$0.05 Partly Paid Shares upon those Partly Paid Shares becoming fully paid	Funds of \$36,018 were raised from the \$0.05 Partly Paid Shares becoming fully paid and were used for general working capital purposes.
17 March 2016	3,935,147 Shares	Shares issued to holders of \$0.05 Partly Paid Shares upon those Partly Paid Shares becoming fully paid	Funds of \$114,119 were raised from the \$0.05 Partly Paid Shares becoming fully paid and were used for general working capital purposes.

17 March 2016	600,000 Shares	Payment on conversion of \$0.10 option	Shares issued at \$0.10 upon conversion of Options and funds of \$60,000 were used for general working capital purposes.
17 March 2016	1,383,570 Shares	Shares issued to holders of \$0.05 Partly Paid Shares upon those Partly Paid Shares becoming fully paid	Funds of \$40,124 were raised from the \$0.05 Partly Paid Shares becoming fully paid and were used for general working capital purposes.
1 April 2016	2,768,894 Shares	Shares issued to holders of \$0.05 Partly Paid Shares upon those Partly Paid Shares becoming fully paid	Funds of \$80,298 were raised from the \$0.05 Partly Paid Shares becoming fully paid and were used for general working capital purposes.
1 April 2016	430,709 Shares	Directors & Senior Management	The Shares were issued at an average of \$0.1521 as per Director & Senior Management Fee & Remuneration Sacrifice Share Plan. The current value of these shares is \$79,681.
5 April 2016	2,000,000	Shares issued to Mr Adrian Griffin for Performance Right hurdle being met.	Shares issued for Performance Hurdle being met as approved by shareholders. The current value of these shares is \$370,000.
8 April 2016	724,000 Shares	Shares issued to holders of \$0.05 Partly Paid Shares upon those Partly Paid Shares becoming fully paid	Funds of \$20,996 were raised from the \$0.05 Partly Paid Shares becoming fully paid and were used for general working capital purposes.
8 April 2016	650,000 Shares	Shares issued on conversion of Options	Shares issued at \$0.10 upon conversion of Options and funds of \$65,000 were used for general working capital purposes.
12 April 2016	3,596,265 Shares	Shares issued to holders of \$0.05 Partly Paid Shares upon those Partly Paid Shares becoming fully paid	Funds of \$104,292 were raised from the \$0.05 Partly Paid Shares becoming fully paid and were used for general working capital purposes.
15 April 2016	2,667,542 Shares	Shares issued to holders of \$0.05 Partly Paid Shares upon those Partly Paid Shares becoming fully paid	Funds of \$77,359 were raised from the \$0.05 Partly Paid Shares becoming fully paid and were used for general working capital purposes.
15 April 2016	200,000 Shares	Shares issued on conversion of Options	Shares issued at \$0.10 upon conversion of Options and funds of \$20,000 were used for general working capital purposes.
19 April 2016	466,761 Shares	Shares issued to holders of \$0.05 Partly Paid Shares upon those Partly	Funds of \$13,536 were raised from the \$0.05 Partly Paid Shares becoming fully paid and were used for general working capital purposes.

		Paid Shares becoming fully paid	
19 April 2016	3,750,000 Shares	Shares issued on conversion of Options	Shares issued at \$0.15 upon conversion of Options and funds of \$562,500 were used for general working capital purposes.
19 April 2016	100,000 Shares	Shares issued on conversion of Options	Shares issued at \$0.10 upon conversion of options and funds of \$10,000 were used for general working capital purposes.
20 April 2016	597,469 Shares	Shares issued to holders of \$0.05 Partly Paid Shares upon those Partly Paid Shares becoming fully paid	Funds of \$17,327 were raised from the \$0.05 Partly Paid Shares becoming fully paid and were used for general working capital purposes.
20 April 2016	200,000 Shares	Shares issued on conversion of Options	Shares issued at \$0.10 upon conversion of Options and funds of \$20,000 were used for general working capital purposes.
20 April 2016	66,667 Shares	Shares issued on conversion of Options	Shares issued at \$0.15 upon conversion of Options and funds of \$10,000 were used for general working capital purposes.
20 April 2016	325,000 Shares	Shares issued on conversion of Option	Shares issued at \$0.20 upon conversion of Options and funds of \$65,000 were used for general working capital purposes.
20 April 2016	267,265 Shares	Shares issued to holders of \$0.25 Partly Paid Shares upon those Partly Paid Shares becoming fully paid	Funds of \$66,790 were raised from the \$0.25 Partly Paid Shares becoming fully paid and were used for general working capital purposes.
22 April 2016	241,434 Shares	Shares issued to holders of \$0.05 Partly Paid Shares upon those Partly Paid Shares becoming fully paid	Funds of \$7,002 were raised from the \$0.05 Partly Paid Shares becoming fully paid and were used for general working capital purposes.
22 April 2016	300,000 Shares	Shares issued on conversion of Option	Shares issued at \$0.10 upon conversion of options and funds of \$30,000 were used for general working capital purposes.
22 April 2016	534,531 Shares	Shares issued to holders of \$0.25 Partly Paid Shares upon those Partly Paid Shares becoming fully paid	Funds of \$133,579 were raised from the \$0.25 Partly Paid Shares becoming fully paid and were used for general working capital purposes.
27 April 2016	72,000 Shares	Shares issued to holders of \$0.05 Partly Paid Shares upon those Partly Paid Shares	Funds of \$2,088 were raised from the \$0.05 Partly Paid Shares becoming fully paid and were used for general working capital purposes.



		becoming fully paid	
27 April 2016	250,000 Shares	Shares issued on conversion of Options	Shares issued at \$0.10 upon conversion of options and funds of \$25,000 were used for general working capital purposes.
29 April 2016	339,500 Shares	Shares issued to holders of \$0.05 Partly Paid Shares upon those Partly Paid Shares becoming fully paid	Funds of \$9,846 were raised from the \$0.05 Partly Paid Shares becoming fully paid and were used for general working capital purposes.
11 May 2016	600,000 Shares	Shares issued on conversion of Options	Shares issued at \$0.10 upon conversion of options and funds of \$60,000 were used for general working capital purposes.
11 May 2016	66,667 Shares	Shares issued on conversion of Option	Shares issued at \$0.15 upon conversion of Options and funds of \$10,000 were used for general working capital purposes.
11 May 2016	500,000 Shares	Issue of Shares to Alix Resources Corporation as part consideration for the Electra Project	Shares issued at \$0.25 to as part consideration for the Electra Project. The current value of these shares is \$92,500.
11 May 2016	500,000 Partly Paid Shares	Issue of Partly Paid Shares to Alix Resources Corporation as part consideration for the Electra Project	Shares issued at \$0.0001 to as part consideration for the Electra Project.
10 June 2016	124,688 Shares	Shares issued to holders of \$0.05 Partly Paid Shares upon those Partly Paid Shares becoming fully paid	Funds of \$3,616 were raised from the \$0.05 Partly Paid Shares becoming fully paid and were used for general working capital purposes.
10 June 2016	100,000 Shares	Shares issued on conversion of Options	Shares issued at \$0.10 upon conversion of Options and funds of \$10,000 were used for general working capital purposes.
10 June 2016	2,250 Shares	Shares issued to holders of \$0.25 Partly Paid Shares upon those Partly Paid Shares becoming fully paid	Funds of \$562 were raised from the \$0.25 Partly Paid Shares becoming fully paid and were used for general working capital purposes.
21 June 2016	10,000 Shares	Shares issued to holders of \$0.05 Partly Paid Shares upon those Partly Paid Shares becoming fully paid	Funds of \$290 were raised from the \$0.05 Partly Paid Shares becoming fully paid and were used for general working capital purposes.
21 June 2016	232,225 Shares	Shares issued to holders of \$0.25 Partly Paid Shares upon those Partly Paid Shares becoming fully paid	Funds of \$58,033 were raised from the \$0.25 Partly Paid Shares becoming fully paid and were used for general working capital purposes.

24 June 2016	2,500 Shares	Shares issued to holders of \$0.05 Partly Paid Shares upon those Partly Paid Shares becoming fully paid	Funds of \$64 were raised from the \$0.05 Partly Paid Shares becoming fully paid and were used for general working capital purposes.
24 June 2016	510,177 Shares	Shares issued to holders of \$0.25 Partly Paid Shares upon those Partly Paid Shares becoming fully paid	Funds of \$127,493 were raised from the \$0.25 Partly Paid Shares becoming fully paid and were used for general working capital purposes.
21 July 2016	749,519 Shares	Shares issued to holders of \$0.25 Partly Paid Shares upon those Partly Paid Shares becoming fully paid	Funds of \$187,304 were raised from the \$0.25 Partly Paid Shares becoming fully paid and were used for general working capital purposes.
21 July 2016	500,000 Shares	Issued to shareholders of Lithophile Pty Ltd	Shares issued at \$0.25 as part consideration for the acquisition of Lithophile Pty Ltd.
21 July 2016	500,000 Shares	Issued to shareholders of Lithophile Pty Ltd	Shares issued at \$0.0001 as part consideration for the acquisition of Lithophile Pty Ltd. The current value of these shares is \$92,500.
31 July 2016	278,306 Shares	Shares issued to holders of \$0.25 Partly Paid Shares upon those Partly Paid Shares becoming fully paid	Funds raised from the \$0.25 Partly Paid Shares becoming fully paid were, or will be, used for general working capital purposes.
9 August 2016	41,000 Shares	Shares issued to holders of \$0.25 Partly Paid Shares upon those Partly Paid Shares becoming fully paid	Funds of \$69,549 were raised from the \$0.25 Partly Paid Shares becoming fully paid and were used for general working capital purposes.
9 August 2016	26,676 Shares	Shares issued to holders of \$0.05 Partly Paid Shares upon those Partly Paid Shares becoming fully paid	Funds of \$240 were raised from the \$0.05 Partly Paid Shares becoming fully paid and were used for general working capital purposes.
31 August 2016	93,373 Shares	Shares issued to holders of \$0.25 Partly Paid Shares upon those Partly Paid Shares becoming fully paid	Funds of \$23,334 were raised from the \$0.25 Partly Paid Shares becoming fully paid and were used for general working capital purposes.
2 September 2016	804,005 Shares	Directors & Senior Management	The Shares were issued at an average of \$0.2288 as per Director & Senior Management Fee & Remuneration Sacrifice Share Plan. The current value of these shares is \$148,741.
14 October 2016	9,000,000 Shares	Issued to Lefroy Exploration Ltd	Shares issued for nil value as part consideration for Lake Johnston lithium rights. The current value of these shares is \$1,665,000.
14 October 2016	400,000 Shares	Issued to Buckland Capital Pty Ltd	Shares issued for \$0.25 as part consideration for the acquisition of

			the Widgiemooltha Project lithium rights. The current value of these shares is \$74,000.
14 October 2016	1,025 Shares	Shares issued to holders of \$0.25 Partly Paid Shares upon those Partly Paid Shares becoming fully paid	Funds of \$256 were raised from the \$0.25 Partly Paid Shares becoming fully paid and were used for general working capital purposes.

**Item 1 Compliance with ASX Listing Rules 7.1A.4 and 3.10.5A**

When the Company issues Equity Securities pursuant to the 10% Placement Capacity, it will give to ASX:

- (i) a list of the allottees of the Equity Securities and the number of Equity Securities allotted to each (not for release to the market), in accordance with Listing Rule 7.1A.4; and
- (ii) the information required by Listing Rule 3.10.5A for release to the market.

The Company did utilise the 10% Placement Capacity during the prior year.

**3.4 Voting Exclusion**

A voting exclusion statement is included in this Notice. As at the date of this Notice, the Company has not invited any existing Shareholder to participate in an issue of Equity Securities under ASX Listing Rule 7.1A. Therefore, no existing Shareholders will be excluded from voting on Resolution 3.

**4. RESOLUTION 4 – RATIFICATION OF PRIOR ISSUE OF PLACEMENT SHARES**

**4.1 Background**

On 11 July 2016 the Company announced that it had agreed to acquire the Widgiemooltha Project lithium rights.

The Company issued 400,000 Shares without prior Shareholder approval out of its 15% annual placement capacity as part of the consideration for the acquisition of the Widgiemooltha Project lithium rights.

Resolution 4 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 and for all other purposes of the issue of those Shares.

**4.2 ASX Listing Rule 7.4**

ASX Listing Rule 7.1 provides that (subject to certain exceptions (none of which is relevant here) prior approval of Shareholders is required for an issue of securities if the securities will, when aggregated with the securities issued by the Company during the previous 12 months, exceed 15% of the number of shares on issue at the commencement of that 12 month period.

ASX Listing Rule 7.4 provides that the approval of holders of the Company's ordinary securities may be obtained after the issue of equity securities. The effect of such ratification is to restore the Company's discretionary power to issue further securities up to 15% of the number of fully paid ordinary securities on issue at the beginning of the relevant 12 month period without obtaining Shareholder approval.

### 4.3 Technical information required by Listing Rule 7.4

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to Resolution 4:

- (a) 400,000 Shares were issued;
- (b) the issue price per Share was \$0.25;
- (c) the Shares issued were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (d) the Shares were issued to Buckland Capital Pty Ltd Pty Ltd who is not a related party of the Company; and
- (e) there were no funds raised from this issue of the Shares as they were issued as part of the consideration for the acquisition of the Widgiemooltha Project lithium rights.

### 4.4 Directors' recommendation

None of the Directors have a material personal interest in the subject matter of Resolution 4. The Board believes that the ratification of the issue of the Shares is beneficial for the Company. The Board recommends Shareholders vote in favour of Resolution 4 as it provides the Company with the flexibility to issue, subject to the limits under the ASX Listing Rules, further securities during the next 12 months without Shareholder approval.

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## 5. RESOLUTIONS 5 - 7 – APPROVAL OF ISSUE OF PERFORMANCE RIGHTS TO DIRECTORS

Subject to the approval of Shareholders, the Company proposes to issue a total of 10,000,000 Performance Rights to Messrs Adrian Griffin, George Bauk and Bryan Dixon, who are Directors, pursuant to Resolutions 6 to 8 respectively.

The Performance Rights will be issued for no consideration.

### 5.1 Background

#### General

The Company is cognisant of the requirement to preserve cash, while providing the principal drivers of Shareholder value with appropriate incentives.

The following tables identify the hurdles to be reached for each of the Performance Rights, along with the total number of Performance Rights to be issued and the distribution of those Performance Rights to the relevant individuals.

Hurdle	Total Performance Rights
Successful Pre-Feasibility Study on Sileach™ Technology	1,000,000
Procurement of feed to support 17,000 tpa lithium carbonate from Sileach™ plant	2,000,000
Commitment decision to large-scale pilot facility	3,000,000
Financial Investment Decision for full scale development plant	4,000,000

<b>Total</b>	<b>10,000,000</b>
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<b>Distribution</b>				
<b>Hurdle</b>	<b>Adrian Griffin</b>	<b>Bryan Dixon</b>	<b>George Bauk</b>	<b>Total</b>
<b>Performance Rights</b>				
Successful Pre-Feasibility Study on Sileach™ Technology	500,000	250,000	250,000	<b>1,000,000</b>
Procurement of feed to support 17,000 tpa lithium carbonate from Sileach™ plant	1,000,000	500,000	500,000	<b>2,000,000</b>
Commitment decision to large-scale pilot facility	1,500,000	750,000	750,000	<b>3,000,000</b>
Financial Investment Decision for full scale development plant	2,000,000	1,000,000	1,000,000	<b>4,000,000</b>
<b>Total</b>	<b>5,000,000</b>	<b>2,500,000</b>	<b>2,500,000</b>	<b>10,000,000</b>

The Company has the aim of establishing a lithium production hub in Western Australia or other suitable location. It is setting an tight deadline target for directors and management to achieve, due to the fundamental shift that is occur in the lithium industry in the near future as expanded production from spodumene mining in Western Australia becomes a reality. Success in achieving a financial investment decision would certainly rate LIT as one of the major participants in the global lithium industry.

The full terms of grant of the Performance Rights are set out in Annexure A. Those terms include the following.

- (a) The Performance Rights issued will not vest and the underlying Shares will not be issued until the performance targets as listed above have been achieved.
- (b) If the beneficiary of the Performance Rights elects to resign prior to the vesting period, then the right to the underlying Shares is forfeited.
- (c) If the director elects to resign then the right to the underlying shares is forfeited.
- (d) If the director's office as director is terminated, then the Performance Rights vest immediately upon the date of termination.

#### Approvals required

This Shareholder approval is required under Listing Rule 10.11 which permits a Director to be issued new securities of the Company if Shareholder approval is obtained. Further, Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any 12 month period any equity securities, or other securities with rights to conversion to equity (such as Performance Rights), if the number of those securities exceeds 15% of the number of ordinary securities on issue at the commencement of that 12 month period. Shares and options issued under these resolutions would fall within an exception. If approval is given under Listing Rule 10.11, approval is not required under Listing Rule 7.1.27. One of the effects of Resolutions 6 to

8 (inclusive) will be to allow the Company to grant the Performance Rights proposed to be granted without using the Company's 15% annual placement capacity.

Pursuant to and in accordance with Listing Rule 10.13, the following information is provided in respect of the Performance Rights:

## 5.2 ASX Listing Rule 10.11

Broadly, Listing Rule 10.11 restricts the giving of a financial benefit to, and the issue of securities to, related parties without the prior approval of shareholders. The Directors are related parties of the Company.

Listing Rule 10.13 requires the following information to be provided to Shareholders for the purposes of obtaining Shareholder approval pursuant to Listing Rule 10.11.

- (a) Performance Rights will be issued to each of the Directors, being Messrs Griffin, Dixon and Bauk;
- (b) The maximum number of Performance Rights issued will be a total of 10,000,000, being up to 5,000,000 to be issued to Mr Griffin, up to 2,500,000 to be issued to Mr Dixon and up to 2,500,000 to be issued to Mr Bauk; as set out in section 6.1
- (c) It is intended that the Performance Rights will be issued as soon as practicable, but in any event within one month after the date of the Meeting; and
- (d) The Performance Rights are being issued for no consideration.

## 5.3 Chapter 2E

Chapter 2E of the Corporations Act prohibits the Company from giving a financial benefit (which includes the issue of Performance Rights) to a related party of the Company unless either:

- (a) the giving of the financial benefit falls within one of the nominated exceptions of Chapter 2E of the Corporations Act; or
- (b) prior Shareholder approval is obtained for the giving of the financial benefit.

For the purposes of Chapter 2E, each Director is considered to be a related party of the Company. The proposed issue of Performance Rights to Directors involves the provision of a financial benefit to a related party of the Company and, therefore, requires prior Shareholder approval. The following information is provided to Shareholders to enable them to assess the merits of Resolutions 6 to 8:

- (a) If Resolutions 6 to 8 are passed by Shareholders, they will permit the giving of a financial benefit to the following Directors (or their nominees):

Resolution	Director	Position	Annual directors fees	Estimated value of Performance Rights (Annexure B)
6	Adrian Griffin	Managing Director	\$250,000	\$925,000
7	Bryan Dixon	Non-Executive Director	\$50,000	\$462,500

8	George Bauk	Non-Executive Chairman	\$54,000	\$462,500
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- (b) The expiry date of the Performance Rights is 1 July 2021.
- (c) The nature of the financial benefit proposed to be given is the issue of Performance Rights for no consideration. The purpose of the issue is to provide cost effective consideration to Directors for their contribution to the Company in their respective roles.
- (d) All the Directors recommend that Shareholders vote in favour of each of the Resolutions, other than the Resolutions in which they have an interest in the outcome with respect to which they make no recommendation.
- (e) As at the date of this Notice, the Directors hold the following relevant interests in the securities in the Company:

Director	Ordinary Shares	Partly Paid Contributing Shares	Current Unlisted Options held	Director Performance Rights held	Director Performance Rights proposed to be issued	Shareholding on a fully diluted basis*
Adrian Griffin	9,186,322	4,927,243	5,175,000	5,050,000	5,000,000	7.18%
Bryan Dixon	1,655,869	768,936	4,000,000	2,025,000	2,500,000	2.68%
George Bauk	920,250	460,125	2,750,000	2,025,000	2,500,000	2.12%

\*Assuming Shareholders approve the issue of the Performance Rights to Directors that are subject to Resolutions 6 to 8 inclusive and all Performance Rights and current unlisted options are exercised.

- (f) If Shareholders approve Resolutions 6 to 8 all Performance Rights are issued and exercised, depending on the prevailing Share price at the time the Performance Rights are exercised (including all current unlisted Options held by Directors and the Performance Rights the subject of Resolutions 6 to 8, it will dilute the holdings of existing Shareholders by approximately 4.11%.
- (g) The Directors consider that the incentive represented by the issue of Performance Rights is a cost effective and efficient incentive when compared to other forms of incentive such as cash, bonuses or increased remuneration.
- (h) The Board recognises that Box 8.2 of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations states that non-executive directors should not receive options or bonus payments. Notwithstanding this, the Board considers the issue of Performance Rights to the Directors is appropriate in the circumstances for the reasons set out below:
- (i) The Board has concluded that the totality of the Directors' remuneration packages, including the equity component of such number of Performance Rights proposed to be issued to each Director under Resolutions 6 to 8 is fair and reasonable in the circumstances of the Company given its size and stage of development, market practice of other companies in the mineral

exploration industry and given the necessity to attract and retain the highest calibre of skilled professionals to the Company whilst maintaining the Company's cash reserves, and in light of the Directors' management experience and knowledge of the mineral exploration industry.

- (ii) The Board does not consider that there are any significant opportunity costs to the Company, other than, if the Performance Rights are exercised when the market price of the Shares is greater than the exercise price of the Performance Rights, there will be a detriment as the Company will be required to issue Shares at a price lower than it might otherwise have been able to, with the result that less funds will be raised. Any funds raised from the exercise of Performance Rights will supplement the Company's working capital requirements.
- (iii) The Board does not consider that there are any material taxation consequences or benefits foregone by the Company as a result of issuing the Performance Rights on the terms proposed.
- (i) Neither the Directors nor the Company is aware of any other information that would be reasonably required by Shareholders to make a decision as to whether it is in the best interests of the Company to pass Resolutions 6 to 8.

Share price information:

<b>Details</b>	<b>Date</b>	<b>Share Price</b>
Market price of Shares (being the last Trading Day prior to the date of this Notice)	19 October 2016	\$0.185
During the three months immediately preceding the date of this Notice, the highest market price of Shares	19 July 2016	\$0.29
During the three months immediately preceding the date of this Notice, the lowest market price of Shares	29 August 2016	\$0.175



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## GLOSSARY

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

**\$** means Australian dollars.

**10% Placement Capacity** has the meaning given in section 3 of this Notice.

**2016 Annual Report** means the Company's annual report including the reports of the Directors and auditor and the financial statements of the Company for the financial year ended 30 June 2016, which can be downloaded from the Company's website at [www.lithium-au.com](http://www.lithium-au.com)

**Annexure A Performance Rights** means a performance right in the Company on the terms and conditions set out in Annexure A.

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

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means ASX Limited (ACN 008 724 791) and the market operated by it, as the context requires.

**ASX Listing Rules** or **Listing Rules** means the official Listing Rules of ASX and any other rules of ASX which are applicable while the Company is admitted to the official list of ASX, each as amended or replaced from time to time except to the extent of any express written waiver by ASX.

**Board** means the board of Directors.

**Chair** means the chairperson of the Meeting.

**Closely Related Party** is defined in respect of a member of Key Management Personnel as:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealings with the Company;
- (e) a company the member controls; or
- (f) a person prescribed by regulations that may be made for this purpose.

**Company** or **Lithium Australia** means Lithium Australia NL (ABN 29 126 129 413).

**Constitution** means the Company's constitution.

**Corporations Act** means the *Corporations Act 2001* (Cth) and any regulations made under it, each as amended from time to time.

**Directors** means the current directors of the Company.

**Eligible Entity** means an entity that, at the date of the relevant general meeting:

- (a) is not included in the S&P/ASX 300 Index; and
- (b) has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300,000,000.

**Equity Securities** has the meaning given by the ASX Listing Rules and includes a Share, a Partly Paid Share, a right to a Share or Option, an Option, a convertible security and any security that ASX decides to classify as such.

**Explanatory Memorandum** means this explanatory memorandum which accompanies and forms part of the Notice.

**Key Management Personnel** has the same meaning as in the accounting standards and broadly includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company.

**Notice** means the notice of meeting accompanying this Explanatory Memorandum.

**Option** means an option to acquire a Share.

**Partly Paid Share** means a partly paid ordinary share in the capital of the Company.

**Proxy Form** means the proxy form accompanying this Explanatory Memorandum.

**Remuneration Report** means that section of the Directors' report under the heading "Remuneration Report" set out in the 2016 Annual Report.

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

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

**Shareholder** means a shareholder of the Company.

**Trading Day** means a day determined by ASX to be a trading day and notified to market participants being:

- (a) a day other than:
  - (i) a Saturday, Sunday, New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day; and
  - (ii) any other day which ASX declares and publishes is not a trading day; and
- (b) notwithstanding (a), a day which for the purposes of settlement, ASX declares is a trading day notwithstanding that dealings between market participants are suspended on that day.

**WST** means Western Standard Time.

Where a word or phrase is given a defined meaning, another part of speech or other grammatical form in respect of that word or phrase has a corresponding meaning.

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## ANNEXURE A - TERMS & CONDITIONS OF PERFORMANCE RIGHTS

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The terms of issue of the Performance Rights are:

- 1) Each Performance Right entitles the holder to be issued one Share on these terms of issue including the vesting conditions and the performance conditions.
- 2) The Performance Rights will be issued for no consideration and subject to the achievement of the vesting conditions and the performance conditions set out below.

The Applicant may apply for the number of Performance Rights specified in an Invitation by sending to the Company (marked for the attention of the Company Secretary) a duly signed and completed application (in the form attached to the Invitation). The application must specify whether the Performance Rights are to be granted to:

- (i) the Director;
  - (ii) the spouse of the Director;
  - (iii) a body corporate in which the Director holds and beneficially owns not less than 50% of the issued voting share capital;
  - (iv) the trustee of a trust in which the Director is a beneficiary or object; or
  - (v) the trustee of a superannuation fund of which the Director is a member,
- (being the **Holder**).

The Director has 12 months from the date of vesting of the Performance Rights to exercise the Performance Rights in parcels of 1,000 Performance Rights up to the full amount of Performance Rights held. No exercise or issue price is payable by the Holder and the Company will allot and issue the number of Shares specified in the notice of exercise within the time prescribed by the Listing Rules.

- 3) A Performance Right does not confer on the holder the right to receive dividends.
- 4) If the Director elects to resign then the right to the underlying Shares is forfeited.
- 5) If the Director's office as Director is terminated, then the Performance Rights vest immediately upon the date of termination.
- 6) The Performance Rights will not vest and the underlying Shares will not be issued unless the following performance conditions have been satisfied:-

<b>Hurdle</b>	<b>Total Performance Rights</b>
Successful Pre-Feasibility Study on Sileach™ Technology	1,000,000
Procurement of feed to support 17,000 tpa lithium carbonate from Sileach™ plant	2,000,000
Commitment decision to large-scale pilot facility	3,000,000
Financial Investment Decision for full scale development plant	4,000,000
<b>Total</b>	<b>10,000,000</b>

- 7) If the above performance conditions are not met the Performance Rights will lapse on 1 July 2021.
- 8) Performance Rights automatically convert to Shares on the vesting date with no exercise price being payable and the Company will allot and issue the number of Shares specified in the notice of exercise within the time prescribed by the ASX Listing Rules.
- 9) All Performance Rights issued immediately vest (to the extent they have not already vested or lapsed) and are immediately exercisable if:
  - (a) a takeover bid (as defined in the Corporations Act) to acquire Shares becomes, or is declared to be, unconditional, irrespective of whether or not the takeover bid extends to Shares issued and allotted after the date of the takeover bid;
  - (b) a change of Control of the Company occurs; or
  - (c) a merger by scheme of arrangement under the Corporations Act is approved by the court under section 411(4)(b) of the Corporations Act.
- 10) If the Company is required under relevant tax legislation to make withholdings on account of tax upon:
  - (a) the exercise of Performance Rights; or
  - (b) the automatic conversion of Performance Rights to Shares,

the Board must sell sufficient of the Shares which would otherwise be issued so that the net proceeds of sale equal the payment which the Company is required to pay to the appropriate authorities. This arrangement does not apply if the participant makes an alternative arrangement to the satisfaction of the Company.
- 11) If a participant ceases to be an eligible person after the vesting date due to the occurrence of any of the following events (each a **Prescribed Event**), the Performance Rights held by that participant will lapse 6 months after the occurrence of that Prescribed Event (or such longer period as the Board may determine) or on the Expiry Date applicable to those Performance Rights, whichever occurs first:
  - (a) retirement or retrenchment of the participant, or if the participant is not an employee, the retirement or retrenchment of the employee by virtue of whom an eligible person holds Performance Rights; or
  - (b) bankruptcy of the participant, or commencement of winding up or deregistration in respect of the participant; or
  - (c) the death of the participant, or if the participant is not an employee, the death of the employee by virtue of whom an eligible person holds Performance Rights.

## Valuation

The initial undiscounted value of the Performance Rights is the value of an underlying share in the Company as traded on ASX at the date of deemed date of grant of the Performance Rights. Under International Financial Reporting Standards (IFRS), no discount is applied.

An indicative valuation for each Performance Right as at 18 October 2016 has been calculated in accordance with the principles of AASB 2 and based on certain assumptions and has been determined to be 19 cents. A probability was then applied to each hurdle and this probability applied to the hurdle

The valuation took into account the following matters:

- The valuation of Performance Rights assumes that the exercise of a right does not affect the value of the underlying asset.
- Under AASB 2 'Share Based Payments' and option valuation theory, no discount is made to the fundamental value for unlisted rights over listed Shares.
- The performance conditions determine the number of Performance Rights to be issued; they do not have an effect on the value of each Performance Right.
- Given that the Performance Rights are to be issued for no consideration, the value of the Performance Rights is reflected in the underlying Share price at the valuation date.

The \$0.185 per Performance Right value of the Performance Rights has been determined without taking into account the risks of not meeting the relevant performance hurdles, in accordance with the relevant accounting standards. If the respective hurdles are not met the Performance Rights will ultimately have zero value.

Based on the above valuation, the total value of the 10,000,000 Performance Rights would be \$1,850,000. **If the respective hurdles are not met the Performance Rights will ultimately have zero value.**

The market price of the Shares over the 15 days of trading on ASX up to and including 19 October 2016 has been between a minimum of 18.5 cents per Share to a maximum of 23 cents per Share. On 19 October 2016 the Shares closed at a price of 18.5 cents per Share.

**PROXY FORM  
LITHIUM AUSTRALIA NL  
ABN 29 126 129 413**

**ANNUAL GENERAL MEETING**

I/We   
of

being a member of Lithium Australia NL entitled to attend and vote at the Annual General Meeting, hereby

appoint

Name of proxy

OR  the Chair of the Annual General Meeting as your proxy

or failing the person so named or, if no person is named, the Chair of the Annual General Meeting, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, as the proxy sees fit, at the Annual General Meeting to be held at Level 1, 675 Murray Street, Perth WA at 10:00am WST on Monday, 30 November 2015, and at any adjournment thereof.

**AUTHORITY FOR CHAIR TO VOTE UNDIRECTED PROXIES ON REMUNERATION RELATED RESOLUTIONS**

Where I/we have appointed the Chair as my/our proxy (or where the Chair becomes my/our proxy by default), I/we expressly authorise the Chair to exercise my/our proxy on Resolutions 1, 6, 7 and 8 (except where I/we have indicated a different voting intention below) even though Resolutions 1, 6, 7 and 8 are connected directly or indirectly with the remuneration of a member of the Key Management Personnel, which includes the Chair.

**CHAIR'S VOTING INTENTION IN RELATION TO UNDIRECTED PROXIES**

The Chair intends to vote undirected proxies in favour of all Resolutions. In exceptional circumstances the Chair may change his/her voting intention on any Resolution. In the event this occurs an ASX announcement will be made immediately disclosing the reasons for the change.

**Voting on Business of the Annual General Meeting**

		FOR	AGAINST	ABSTAIN
Resolution 1	Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Re-election of Director – George Bauk	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Approval for additional placement capacity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Ratification of the issue of Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Approval of the Issue of Performance Rights to Adrian Griffin	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Approval of the Issue of Performance Rights to Bryan Dixon	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7	Approval of the Issue of Performance Rights to George Bauk	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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

If two proxies are being appointed, the proportion of voting rights this proxy represents is \_\_\_\_\_%

**Signature of Member(s):** \_\_\_\_\_ **Date:** \_\_\_\_\_

<b>Individual or Member 1</b>	<b>Member 2</b>	<b>Member 3</b>
<input style="width: 250px; height: 25px;" type="text"/>	<input style="width: 250px; height: 25px;" type="text"/>	<input style="width: 250px; height: 25px;" type="text"/>
<b>Sole Director/Company Secretary</b>	<b>Director</b>	<b>Director/Company Secretary</b>

**Contact Name:** \_\_\_\_\_ **Contact Ph (daytime):** \_\_\_\_\_

**E-mail Address:** \_\_\_\_\_ **Consent for contact by e-mail** YES  NO

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## Instructions for Completing 'Appointment of Proxy' Form

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1. A Shareholder entitled to attend and vote at a meeting is entitled to appoint not more than two proxies to attend and vote on their behalf. Where more than one proxy is appointed, such proxy must be allocated a proportion of the Shareholder's voting rights. If the Shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes.
2. A duly appointed proxy need not be a Shareholder of the Company. In the case of joint holders, all must sign.
3. Corporate Shareholders should comply with the execution requirements set out on the proxy form or otherwise with the provisions of Section 127 of the Corporations Act. Section 127 of the Corporations Act provides that a company may execute a document without using its common seal if the document is signed by:
  - directors of the company;
  - a director and a company secretary of the company; or
  - for a proprietary company that has a sole director who is also the sole company secretary – that director.

For the Company to rely on the assumptions set out in Section 129(5) and (6) of the Corporations Act, a document must appear to have been executed in accordance with Section 127(1) or (2). This effectively means that the status of the persons signing the document or witnessing the affixing of the seal must be set out and conform to the requirements of Section 127(1) or (2) as applicable. In particular, a person who witnesses the affixing of a common seal and who is the sole director and sole company secretary of the company must state that next to his or her signature.

4. Completion of a proxy form will not prevent individual Shareholders from attending the meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Form and attends the meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the meeting.
5. Where a Proxy Form or form of appointment of corporate representative is lodged and is executed under power of attorney, the power of attorney must be lodged in like manner as this proxy.
6. To vote by proxy, please complete and sign the Proxy Form enclosed and either send the Proxy Form :
  - (a) by post, to Lithium Australia NL, PO Box 1088, Belmont WA 6984
  - (b) by facsimile, to the Company on facsimile number (08) 9475 0847; or
  - (c) by email, to the Company at info@lithium-au.com

so that it is received not later than **10:00am WST on Saturday 26 November 2016.**

**Proxy forms received later than this time will be invalid.**