
LITHIUM AUSTRALIA NL

ABN 29 126 129 413

NOTICE OF GENERAL MEETING

TIME: 10 am WST
DATE: 30 April 2018
PLACE: Level 1
675 Murray Street
West Perth WA 6005

This Notice of 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 General Meeting please do not hesitate to contact the Company Secretary, Mr Barry Woodhouse on (08) 6145 0288.

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IMPORTANT INFORMATION

TIME AND PLACE

Notice is given that a general meeting of the Shareholders convened by this Notice of Meeting will be held at **10am WST on 30 April 2018** at Level 1, 675 Murray Street, West Perth WA 6005.

YOUR VOTE IS IMPORTANT

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

ATTENDANCE AND VOTING ELIGIBILITY

The Directors have determined pursuant to Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the General Meeting are those who are registered Shareholders at 10am WST on 28 April 2018. Accordingly, those persons are entitled to attend and vote (if not excluded) at the Meeting.

VOTING IN PERSON

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

VOTING ONLINE

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

VOTING BY PROXY

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 complete and sign the enclosed Proxy Form (and the power of attorney or other authority (if any) under which it is signed (or a certified copy)) and in accordance with the instructions set out on the form and this Notice and send the Proxy Form:

- (i) by voting online at 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 Advanced Share Registry Limited on +61 8 9262 3723; or
- (v) by email to admin@advancedshare.com.au

so that your vote is received not later than **10am WST on 28 April 2018**.

Proxy Forms received later than this time will be invalid.

NOTICE AND BUSINESS OF THE GENERAL MEETING

Notice is given that a General Meeting of Shareholders will be held at **Level 1, 675 Murray Street, West Perth, Western Australia at 10am (WST) on 30 April 2018.**

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

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

AGENDA

1. RESOLUTION 1 – RATIFICATION OF PRIOR ISSUE OF CONVERTIBLE NOTES UNDER CONVERTIBLE NOTE FACILITY

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

“That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 3,500,000 Convertible Notes under the Convertible Note Facility, and the issue of Shares on conversion of the Convertible Notes, on the terms and conditions and in the manner set out in the Explanatory Memorandum.”

Voting Exclusion Statement: The Company will disregard any votes cast in favour of this Resolution by or on behalf of a person who participated in the issue or any associates of those persons. 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.

2. RESOLUTION 2 – APPROVAL FOR THE ISSUE OF FACILITY OPTIONS FOR THE FIRST TRANCHE PURSUANT TO CONVERTIBLE NOTE FACILITY

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

“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue 8,484,849 Facility Options, and the issue of Shares on exercise of the Facility Options, pursuant to the Convertible Note Facility on the terms and conditions and in the manner set out in the Explanatory Memorandum.”

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

3. RESOLUTION 3 – APPROVAL FOR THE ISSUE OF CONVERTIBLE NOTES AND FACILITY OPTIONS PURSUANT TO CONVERTIBLE NOTE FACILITY

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

“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue 5,000,000 Convertible Notes and the Facility Options contemplated by the First Follow On Tranche pursuant to the Convertible Note Facility, and the issue of Shares on conversion of the Convertible Notes and on exercise of the Facility Options, on the terms and conditions and in the manner set out in the Explanatory Memorandum.”

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

4. RESOLUTION 4 – RATIFICATION OF PRIOR ISSUE OF 15,000,000 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 of 15,000,000 Shares on the terms and conditions and in the manner set out in the Explanatory Memorandum.”

Voting Exclusion Statement: The Company will disregard any votes cast in favour of 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.

5. RESOLUTION 5(A) – RATIFICATION OF PRIOR ISSUE OF 3,526,825 SHARES OUT OF A TOTAL OF 15,000,000 SHARES – LISTING RULE 7.1A APPROVAL

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 of 3,526,825 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 in favour of 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.

RESOLUTION 5(B) – RATIFICATION OF PRIOR ISSUE OF 11,473,175 SHARES OUT OF A TOTAL OF 15,000,000 – LISTING RULE 7.1 APPROVAL

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 of 11,473,175 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 in favour of 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.

6. RESOLUTION 6 – RATIFICATION OF PRIOR ISSUE OF 3,250,000 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 of 3,250,000 Shares on the terms and conditions and in the manner set out in the Explanatory Memorandum."

Voting Exclusion Statement: The Company will disregard any votes cast in favour of 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.

7. RESOLUTION 7 – RATIFICATION OF PRIOR ISSUE OF 606,874 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 of 606,874 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 in favour of 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.

8. RESOLUTION 8 – APPROVAL FOR THE ISSUE OF 1,500,000 SHARES AND 5,000,000 LITCE PARTLY PAID SHARES

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

“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue 1,500,000 Shares and 5,000,000 LITCE Partly Paid Shares to the person(s), on the terms and conditions and in the manner set out in the Explanatory Memorandum.”

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

9. RESOLUTION 9 – APPROVAL OF LITHIUM AUSTRALIA NL SECURITIES INCENTIVE PLAN

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 7.2 (Exception 9) which is an exception to ASX Listing Rule 7.1 and for all other purposes, approval is given to adopt the Lithium Australia NL Securities Incentive Plan and to issue securities under that plan, and to issue Shares pursuant to those securities, from time to time upon the terms and conditions and in the manner summarised in the Explanatory Memorandum.”

Voting Exclusion Statement: The Company will disregard any votes cast in favour of this Resolution by or on behalf of a Director (except one who is ineligible to participate in any securities plan in relation to the Company) or any associates of such a Director. 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.

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:

the voter is appointed as a proxy appointed by writing that specifies the way the proxy is to vote on the Resolution; and

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.

10. RESOLUTION 10 – 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**:

“Subject to the passing of Resolution 9, that approval is given for the purposes of section 200B, section 200E and Chapter 2E of the Corporations Act, Listing Rule 10.14 and for all other purposes, for the grant and issue of 4,000,000 Performance Rights to Mr Adrian Griffin (who is a Director) and/or his nominee(s) pursuant to the Lithium Australia NL Securities Incentive Plan, 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 Statement: The Company will disregard any votes cast in favour of Resolution 8 by Mr Adrian Griffin and/or his nominee(s) 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 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.

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) Mr Adrian Griffin and/or his nominee(s) or his associate; or
- (b) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report or 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:

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

11. RESOLUTION 11 – 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**:

“Subject to the passing of Resolution 9, that approval is given for the purposes of section 200B, section 200E and Chapter 2E of the Corporations Act, Listing Rule 10.14 and for all other purposes, for the grant and issue of 1,600,000 Performance Rights to Mr Bryan Dixon (who is a Director) and/or his nominee(s) pursuant to the Lithium Australia NL Securities Incentive Plan, 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 Statement: The Company will disregard any votes cast in favour of Resolution by Mr Bryan Dixon and/or his nominee(s) 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 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.

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) Mr Bryan Dixon and/or his nominee(s) or his associate;
- (b) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report or 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:

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

12. RESOLUTION 12 – 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**:

“Subject to the passing of Resolution 9, that approval is given for the purposes of section 200B, section 200E and Chapter 2E of the Corporations Act, Listing Rule 10.14 and for all other purposes, for the grant and issue of 1,600,000 Performance Rights to Mr George Bauk (who is a Director) and/or his nominee(s) pursuant to the Lithium Australia NL Securities Incentive Plan, 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 Statement: The Company will disregard any votes cast in favour of Resolution by Mr George Bauk and/or his nominee(s) 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 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.

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) Mr George Bauk and/or his nominee(s) or his associate;
- (b) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report or 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:

- (a) the voter is appointed as a proxy appointed by writing that specifies the way the proxy is to vote on the Resolution; or
- (b) the voter is the Chair, the Chair is not George Bauk or his associate 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; or
- (c) the voter is the Chair, the Chair is George Bauk or his associate and the appointment of the Chair as proxy:
 - (i) specifies 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.

13. RESOLUTION 13 – APPROVAL OF POTENTIAL TERMINATION BENEFITS UNDER LITHIUM AUSTRALIA NL SECURITIES INCENTIVE PLAN

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

“Subject to the passing of Resolution 9, that, for the purpose of section 200B and section 200E of the Corporations Act and for all other purposes, approval is given for the giving of benefits under the Lithium Australia NL Securities Incentive Plan by the Company to a person or their associates in connection with that person ceasing to hold a managerial or executive office in the Company or a related body corporate of the Company, as detailed in, and on the terms and conditions summarised in, the Explanatory Memorandum.”

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) Any person eligible to participate in any securities plan in relation to the Company (except one who is ineligible to participate in any securities plan in relation to the Company) or any associates of such a person;
- (b) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report or 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:

- (a) the voter is appointed as a proxy appointed by writing that specifies the way the proxy is to vote on the Resolution; or
- (b) the voter is the Chair or his associate 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; or
- (c) the voter is the Chair, the Chair is George Bauk or his associate and the appointment of the Chair as proxy:
 - (i) specifies 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.

OTHER BUSINESS

To deal with any business that may be lawfully brought forward.

PROXIES

A Shareholder entitled to attend and vote at the Meeting has a right to appoint a proxy to attend and vote instead of the Shareholder. A proxy need not be a Shareholder and can be either an individual or a body corporate. If a Shareholder appoints a body corporate as a proxy that body corporate will need to ensure that it:

- a) appoints an individual as its corporate representative to exercise its powers at the Meeting, in accordance with section 250D of the Corporations Act; and
- b) provides the Company with satisfactory evidence of the appointment of its corporate representative prior to commencement of the Meeting.

If such evidence is not received before the Meeting, then the body corporate (through its representative) will not be permitted to act as proxy.

A Shareholder who is entitled to cast two (2) or more votes may appoint two (2) proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If no proportion or number is specified, each proxy may exercise half of the Shareholder's votes. Fractions of votes will be disregarded.

In order to vote on behalf of a company that is a Shareholder, a valid Power of Attorney in the name of the attendee, must be either lodged with the Company prior to the Meeting, or be presented at the Meeting before registering on the attendance register for the Meeting.

Forms to appoint proxies, and the Power of Attorney (if any) under which they are signed, must be posted or lodged at the registered office of the Company, at Level 1, 675 Murray Street, West Perth WA 6005, or PO Box 1088 West Perth WA 6872, or by facsimile to (+61 8) 9262 3723, or by email to **admin@advancedshare.com.au** not less than 48 hours before the time of the Meeting or resumption of an adjourned meeting at which the person named in the instrument proposes to vote.

An instrument appointing a proxy:

- a) shall be in writing under the hand of the appointor or of his attorney, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney;
- b) may specify the manner in which the proxy is to vote in respect of a particular Resolution and, where an instrument of proxy so provides, the proxy is not entitled to vote on the Resolution except as specified in the instrument;
- c) shall be deemed to confer authority to demand or join in demanding a poll;
- d) shall be in such form as the Directors determine and which complies with section 250A of the Corporations Act; and
- e) which appoints the Chair as proxy but does not specify the way in which the proxy is to vote on a particular Resolution will be recorded as voting in favour of the Resolutions (subject to the other provisions of these notes on proxies and any required voting exclusions including those in the Notice) as this is the Chair's voting intention.

Corporations

A corporation may elect to appoint a representative in accordance with the Corporations Act in which case the Company will require written proof of the representative's appointment, which must be lodged with, or presented to, the Company before the commencement of the Meeting.

Proxies given by corporate Shareholders must be executed in accordance with their constitutions, or signed by a duly authorised attorney. A proxy may decide whether to vote on any motion, except where the proxy is required by law or the Constitution to vote, or abstain from voting, in their capacity as proxy.

The enclosed Proxy Form provides further details on appointing proxies and lodging Proxy Forms.

Undirected and Directed Proxies

The Company encourages all Shareholders who submit proxies to direct their proxy how to vote on each resolution.

The Company will not disregard any votes cast on a resolution by a person if the person is the Chair voting an undirected proxy and their appointment expressly authorises the Chair to exercise the proxy to the extent permitted by law.

If you intend to appoint the Chair as your proxy, you can direct him how to vote by marking the boxes for each resolution (for example, if you wish to vote “for”, “against” or “abstain” from voting), or you cannot mark any of the boxes and give the Chair your express authority to vote your undirected proxy (in which case the Chair will vote in favour of all Resolutions).

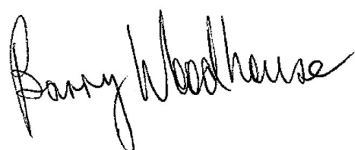
If you intend to appoint another member of the Key Management Personnel (such as one of the Directors) or one of their Closely Related Parties as your proxy, please ensure that you direct them how to vote on Resolutions 9 to 13 inclusive. If you leave your proxy form undirected on Resolutions 9, 10, 11, 12 and 13, the relevant Key Management Personnel (other than the Chair) and their Closely Related Parties will not be able to vote your Shares on those resolutions. If the Chair is your proxy and you do not direct the Chair how to vote in respect of Resolutions 9, 10, 11, 12 and 13 on the proxy form, you will be deemed to have directed and expressly authorised the Chair to vote your proxy in favour of Resolutions 9, 10, 11, 12 and 13. This express authorisation acknowledges that the Chair may vote your proxy even though Resolutions 9, 10, 11, 12 and 13 are connected directly or indirectly with the remuneration of a Key Management Personnel and even though the Chair may have an interest in the outcome of those resolutions and is prohibited from voting on those resolutions (other than as authorised proxy holder) because of that interest. If you elect to appoint the chair as your proxy, you will need to direct the Chair how you wish them to exercise your vote on Resolution 10 in the event that the Chair is Mr George Bauk or his associate as, in that event, the Chair will not vote undirected proxies for Resolution 10.

In accordance with the Corporations Act, any directed proxies that are not voted on a poll at the meeting will automatically default to the Chair, who is required to vote proxies as directed to the extent permitted by law.

If you appoint any other person as your proxy

You do not need to direct your proxy how to vote.

DATED: 27 MARCH 2018
BY ORDER OF THE BOARD
LITHIUM AUSTRALIA NL



Barry Woodhouse
COMPANY SECRETARY

EXPLANATORY MEMORANDUM

INTRODUCTION

This Explanatory Memorandum has been prepared for the information of Shareholders of Lithium Australia NL in connection with the business specified to be conducted in the Notice of General Meeting at the general meeting of Shareholders to be held at Level 1, 675 Murray Street, West Perth, Western Australia 6005 at 10am (WST) on 30 April 2018.

The purpose of this Explanatory Memorandum is to provide information that the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions contained in the Notice of Meeting.

The Resolutions are ordinary resolutions, which mean they are each required to be passed by a simple majority (more than 50%) of votes cast by the Shareholders entitled to vote on them.

The Notice of Meeting, Explanatory Memorandum and Proxy Form are all important documents. The Directors recommend that Shareholders read them carefully in their entirety before making a decision on how to vote at the General Meeting.

A Glossary of terms frequently used in this Notice of Meeting and Explanatory Memorandum can be found at the end of this Explanatory Memorandum.

1. BACKGROUND TO CONVERTIBLE NOTE FACILITY

1.1 General

As announced on 1 March 2018, the Company has entered into a deed in relation to a convertible note facility with Arena Investors, LP (**Noteholder**) with a face value of \$21,000,000 (**Facility**) (**Convertible Note Deed**).

The Company has received under the Facility an amount of \$3,045,000 in consideration for the issue of 3,500,000 Convertible Notes with an aggregate face value of \$3,500,000 on 9 March 2018 (**First Tranche**) and, subject to Shareholder approval, the Company will issue 8,484,849 Facility Options associated with the First Tranche (refer to Resolution 2). Shareholder approval is being sought to ratify the issue of the Convertible Notes in the First Tranche (refer to Resolution 1).

The issue of further tranches of Convertible Notes (**Follow On Tranches**) under the Facility remains subject to Shareholder approval. The Company is seeking Shareholder approval for the issue of the Convertible Notes and Facility Options the subject of the First Follow On Tranche at the Meeting (refer to Resolution 3) (**First Follow On Tranche**).

Shareholder approval for four (4) subsequent tranches of Convertible Notes and Facility Options will be sought at separate Shareholder meetings at the appropriate time during the term of the Facility.

The purchase price is 87% of the Face Value and is therefore as follows:

- (i) the First Tranche has an aggregate face value of \$3,500,000 and therefore a purchase price of \$3,045,000;
- (ii) the First Follow On Tranche has an aggregate face value of \$5,000,000 and therefore a purchase price of \$4,350,000; and
- (iii) the remaining four (4) Follow On Tranches each have an aggregate face value of \$3,125,000 and therefore a purchase price of \$2,718,750,

the total purchase price being \$18,270,000 (**Purchase Price**).

The First Tranche of \$3,045,000 (having a purchase price of \$3,500,000) has been received and all conditions to this issue have been met.

For all Follow On Tranches and Facility Options associated with each Follow On Tranche, following the 30 day anniversary of the Convertible Note Deed, the Company must deliver an issue notice by providing no less than 10 days' notice in advance of the proposed issue date of such Follow On Tranche.

The Company must seek Shareholder approval for the First Follow On Tranche, the First Tranche Options and the First Follow On Tranche Options at a Shareholder meeting to be called and held within 45 days of the date of the Convertible Note Deed, which is the meeting convened by this Notice. The delivery by the Company of the issue notice for the First Follow On Tranche and First Follow On Tranche Options must allow for the issue of the First Follow On Tranche and First Follow On Tranche Options, within two Business Days after the date on which the Company meeting at which Shareholder approval for the issue of that First Follow On Tranche and First Follow On Tranche Options was or will be obtained (being the meeting convened by this Notice).

The Company must seek Shareholder approval for the Third Tranche, the Third Tranche Options, the Fourth Tranche and the Fourth Tranche Options at a Shareholder meeting to be called and held within no earlier than 4 months after the issue date of the First Follow On Tranche unless otherwise agreed by the company and the Noteholder. The delivery by the Company of the issue notice for the Third Tranche and Third Tranche Options must allow for the issue of that Tranche within two Business Days after the date on which the Company meeting at which Shareholder approval for the issue of that Tranche is held. If the contemplated waiver (see below) is not obtained, the timing of the delivery by the Company of the Issue Notice for the Fourth Tranche and the Fourth Tranche Options must allow for the issue of that Tranche at the last possible date of the 3 month period following the Shareholder meeting prescribed under Listing Rule 7.3.2.

The Company must seek Shareholder approval for the Fifth Tranche, the Fifth Tranche Options, the Sixth Tranche and the Sixth Tranche Options at a Shareholder meeting to be called and held within no earlier than 4 months after the issue date of the Fourth Tranche unless otherwise agreed by the Company and the Noteholder. The delivery by the Company of the issue notice for the Fifth Tranche and Third Tranche Options must allow for the issue of that Tranche within two Business Days after the date on which the Company meeting at which Shareholder approval for the issue of that Tranche is held. If the contemplated waiver (see below) is not obtained, the timing of the delivery by the Company of the Issue Notice for the Sixth Tranche and the Sixth Tranche Options must allow for the issue of that Tranche at the last possible date of the 3 month period following the Shareholder meeting prescribed under Listing Rule 7.3.2.

Waiver

The Company will apply to the ASX for a waiver (or waivers, as required) from the 3 month period prescribed under Listing Rule 7.3.2 to allow for the relevant Tranche to be issued 4 months after the date of the relevant Shareholder meeting. If that waiver is granted, then, subject to the delivery by the Company of the relevant Issue Notice, the Fourth Tranche and the Sixth Tranche should be issued at the last possible date of the 4 month period following the relevant date of Shareholder approval for that respective Tranche.

Each Convertible Note will be issued with a face value of \$1.00, is not secured and is transferable, subject at all times to the Corporations Act and any applicable law and requires the Noteholder to obtain the prior written consent of the other party.

Each Tranche of Convertible Notes has a 12 month term. The Convertible Notes will not be listed on the ASX or any other public exchange.

The Company must pay bearer interest on the respective Principal Amounts of outstanding Convertible Notes at a rate equal to 2.0% per annum accruing on daily balances, on the basis of a 365 day year, on 30 June and 31 December in each year and on the Maturity Date, and either in cash or, at the election of the Company, by the Company issuing to the Noteholder a number of Shares in accordance with the Equity Payment Option.

In the event the Equity Payment Option is exercised, the issue price of each Share is taken to be the lesser of an amount equal to 93% of the VWAP for the Trading Day immediately preceding the exercise of the Equity Payment Option and the Fixed Conversion Price (being a price equal to 150% of the average VWAP of the Company's Shares for the 20 Trading Days prior to Closing of a Tranche).

Should the Company fail to satisfy the conditions precedent to draw down, deliver an issue notice within the relevant periods or fails to draw any portion or all of the Follow On Tranches prior to the 1 year anniversary of the issue date of the First Tranche, the Company must pay the Noteholder the relevant Termination Payment, in addition to any other obligation of the Company under the Convertible Note Deed, and the Noteholder's obligation to subscribe for further Convertible Notes under the Facility lapses. The Termination Payment an amount equal to 15% of the total Principal Amount of all Convertible Notes which have not been issued under any Tranche and for which Shareholders approval has been obtained.

The Company must pay in cash to the Noteholder a transaction fee in aggregate equal to 2% of the relevant principal amount on a pro rata basis upon each draw down of the First Tranche and each of the Follow On Tranches.

Subject to the Conversion Restrictions (see **Annexure A**), the Noteholder may convert the aggregate principal amount of those Convertible Notes (which must be a minimum of \$10,000 or any higher multiple of \$1,000) into Shares on those Convertible Notes as at the conversion date at the conversion price, being the higher of:

- (i) the average of the VWAP over any 3 trading days selected by the Noteholder over the period of 20 trading days ending on the last trading day before the Conversion Date being the date on which the Noteholder delivers a conversion notice to the Company; and
- (ii) the floor price, which is fixed at \$0.10 in relation to the First Tranche and is not adjustable in relation to the First Tranche, and which for each Follow On Tranche is \$0.10 unless a Floor Price Adjustment Event (as set out below) occurs, in which case it is the Adjusted Floor Price being a price equal to 90% of the average VWAP of the Shares for the period of 10 consecutive trading days ending on the day before the issue date of the relevant Follow On Tranche.

(Conversion Price).

The number of Shares issued will be equal to the aggregate principal amount of the relevant Convertible Notes divided by the Conversion Price.

A Floor Price Adjustment Event means:

- (i) any consecutive period of 30 trading days in which the VWAP on each trading day in that period is below the floor price; and
- (ii) any issue of Shares by the Company at a price less than \$0.10, including (for the avoidance of doubt) any issue of Shares pursuant to an Excluded Transaction (as that term is defined below at page 41).

The Company must make an ASX announcement as soon as possible if a Floor Price Adjustment Event occurs.

The number of Shares issued in respect of interest accrued will be equal to the interest accrued divided by the Interest Conversion Price being the lesser of:

- (A) an amount equal to 93% of the VWAP for the trading day immediately preceding the date of the conversion notice; and
- (B) the Fixed Conversion Price, means a price equal to 150% of the average VWAP of the Shares for the 20 Trading Days prior to closing.

A summary of the rights, obligations, privileges and restrictions attaching to the Convertible Notes is set out in **Annexure A**.

The Directors consider that the Facility is in the best interests of Shareholders as it provides funding for working capital and for general corporate purposes of the Company.

Under the Convertible Note Deed, the Noteholder will also be entitled to Options in the Company as set out in **Annexure A** and the terms and conditions of which are set out in **Annexure B**. Under the Convertible Note Facility the Noteholder will also be issued Facility Options upon Shareholder approval of Resolution 2 and upon the issue of each of the Follow On Tranches as calculated in the manner set out in **Annexure A** (which remain subject to separate Shareholder approval at the appropriate time in the future).

1.2 Effect of the issue on the Company

The principal effect of the Facility on the Company will be to:

- (a) increase the Company's cash reserves by \$18,270,000 (before costs associated with the issue of Convertible Notes), assuming full draw down under the Facility;
- (b) increase the number of unquoted unsecured Convertible Notes on issue from nil to 21,000,000, assuming full draw down under the Facility;
- (c) give rise to the Company having a liability for the amount of the face value of the Facility drawn down;
- (d) if the Convertible Notes or accrued interest are converted, either wholly or in part to Shares, increase the number of Shares on issue as a consequence of the issue of Shares on such conversion; and
- (e) increase the number of Options on issue as a consequence of the requirement to issue new Facility Options with each tranche of Convertible Notes.

1.3 Potential effect on capital structure

- (a) As at the date of this Notice, the total number of issued Shares is 409,652,317.
- (b) The capital structure of the Company will be affected by the conversion of the Convertible Notes by the Noteholder, and/or the exercise of Facility Options by the Noteholder, which will result in additional Shares being issued.
- (c) Subject to limits on the conversion under the Convertible Note Deed, the Convertible Notes can be converted at any time after their issue and prior to the date of maturity (being 12 months from the date of their respective issues (**Maturity Date**)) at the request of the Noteholder, or they will automatically be redeemed on the Maturity Date.
- (d) If the full amount of the Facility is drawn down and the Noteholder converts the entire Facility, then based on an average conversion price of \$0.16 per new Share (this was the last closing price prior to announcement of the Facility) and assuming the full face value of \$21,000,000 is converted (**Convertible Note Assumptions**), 131,250,000 new Shares would be issued. The actual effect of the share capital of the Company will depend on what percentage of the Convertible Notes are actually converted and the price at which the conversion occurs.

- (e) 8,484,849 Facility Options will be issued, subject to Shareholder approval, in relation to the First Tranche.
- (f) Facility Options will also be issued for each of the Follow On Tranches. The quantity will be equal to 40% of the principal amount of the tranche (being \$5,000,000 for the First Follow On Tranche and \$3,125,000 for each other Follow On Tranche) divided by the 5 trading day VWAP of Shares as traded on ASX and published by Bloomberg ending on the last trading day before the date of issue of the respective Follow On Tranche (**5 Trading Day VWAP**). Assuming the Facility is fully drawn down and the 5 Trading Day VWAP is \$0.16 (**Facility Options Assumptions**) a total of 43,750,000 Facility Options will be issued in relation to the Follow On Tranches in addition to the 8,484,849 Facility Options to be issued in relation to the First Tranche.

The effect on the issued share capital of the Company on conversion of all the Convertible Notes and the issue and exercise of all Facility Options issued under the Facility is set out in the table below, based on the Convertible Note Assumptions and Facility Options Assumptions and assuming no other Shares are issued (e.g. from the exercise, conversion or vesting of existing or new convertible securities or the issue of new Shares). This does not account for any interest payable under the Facility being converted into Shares.

The actual effect on the share capital of the Company will depend on what percentage of the Convertible Notes are actually converted, the price at which the conversion occurs and the 5 Trading Day VWAP at the time of issue of the Facility Options.

The table below also sets out the effect on issued share capital assuming the Facility is fully drawn down except using an assumed conversion price and 5 Day Trading VWAP both of \$0.10, and a further assumed conversion price and 5 Day Trading VWAP both of \$0.08. Under the Convertible Note Deed, the floor price (minimum conversion price for the Convertible Notes) is fixed at \$0.10 in relation to the First Tranche and is not adjustable in relation to the First Tranche. For each Follow On Tranche the floor price is \$0.10 unless a Floor Price Adjustment Event (as set out above in Section 1.1) occurs, in which case it is the Adjusted Floor Price being a price equal to 90% of the average VWAP of the Shares for the period of 10 consecutive trading days ending on the day before the issue date of the relevant Follow On Tranche.

Shares	Convertible Note Assumptions (\$0.16)	Floor Price of \$0.10	Adjusted Floor Price of \$0.08 (except for the First Tranche)
Shares on issue at the date of this Notice	409,652,317	409,652,317	409,652,317
Shares issued upon conversion of the entire Facility ¹	131,250,000	210,000,000	262,500,000
Shares issued assuming the exercise of all Facility Options ¹	52,234,849	78,484,849	95,984,849
Total Shares on issue following conversion of the entire Facility	593,137,166	698,137,166	768,137,166

Options	Facility Options Assumptions	Floor Price of \$0.10	Adjusted Floor Price of \$0.08 (except for the First Tranche)
Options on issue prior to agreement of the Facility ²	42,782,332	42,782,332	42,782,332
Facility Options issued under the Facility	52,234,849	78,484,849	95,984,849
Total Options on issue following conversion of the entire Facility	95,018,181	121,268,181	138,768,181

Performance Rights	Number
Performance Rights on issue prior to agreement of the Facility ²	25,340,000
Performance Rights issued under the Facility	Nil
Performance Rights proposed to be issued under Resolutions	7,200,000
Total Performance Rights on issue following conversion of the entire Facility³	32,540,000

Notes:

- 1 The Noteholder has agreed not to convert any Convertible Notes, exercise any Facility Options or receive Shares under the Equity Payment Option (defined in **Annexure A**), which would result in the Noteholder holding a relevant interest in more than 19.99% of the issued Shares (or such other limit prescribed by section 606(1)(c)(i) of the Corporations Act from time to time). Based on the Shares on issue at the date of this Notice the maximum number of Shares the Noteholder can have a relevant interest in is 81,520,812 Shares.
- 2 Details of exercise prices expiry dates of the Facility Options and performance milestone and expiry for the Performance Rights are set out in the Company's Appendix 3B lodged with ASX.
- 3 Subject to Shareholders approving Resolutions 9 to 12 inclusive.

2. RESOLUTION 1 – RATIFICATION OF PRIOR ISSUE OF CONVERTIBLE NOTES UNDER CONVERTIBLE NOTE FACILITY

2.1 General

As set out in Section 1.1, the Company has issued 3,500,000 Convertible Notes to the Noteholder.

Resolution 1 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of those Convertible Notes (**Ratification**).

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12-month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1. It provides that where a company in general meeting ratifies the previous issue of securities made pursuant to ASX Listing Rule 7.1 (and provided that the previous issue did not breach ASX Listing Rule 7.1) those securities will be deemed to have been made with Shareholder approval for the purpose of ASX Listing Rule 7.1.

By ratifying this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

2.2 Technical information required by ASX Listing Rule 7.4

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

(a) *The number of securities issued*

3,500,000 Convertible Notes were issued.

(b) *The price at which the securities were issued*

The Convertible Notes were issued for \$0.87 each with a face value of \$1.00 and otherwise on the terms and conditions set out in **Annexure A**.

(c) *The terms of the securities*

The terms and conditions of the Convertible Notes are set out in **Annexure A**.

(d) *The names of the persons to whom the entity issued the securities or the basis on which those persons were determined*

The Convertible Notes were issued to the Noteholder, which is not a related party of the Company.

(e) *The use (or intended use) of the funds raised*

The funds raised from this issue (\$3,045,000 before costs) will be used to advance the large-scale pilot plant for the production of lithium chemicals, recommissioning the VSPC lithium-ion battery cathode plant, to fund working capital and for general corporate purposes of the Company.

3. RESOLUTION 2 – APPROVAL FOR THE ISSUE OF FIRST TRANCHE OPTIONS PURSUANT TO CONVERTIBLE NOTE FACILITY

3.1 General

As noted in Section 1.1, the Company has agreed, subject to Shareholder approval, to issue 8,484,849 Facility Options to the Noteholder in consideration for receipt of the First Tranche of funds under the Facility.

Resolution 2 seeks Shareholder approval to issue these Facility Options to the Noteholder.

3.2 ASX Listing Rule 7.1

A summary of ASX Listing Rule 7.1 is set out in Section 2.1.

The effect of Resolution 2 will be to allow the Company to issue these Facility Options during the period of 3 months after the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules), and to allow the Company to issue the Shares on exercise of those Facility Options without using the Company's 15% annual placement capacity set out in ASX Listing Rule 7.1.

3.3 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to Resolution 2:

- (a) *The maximum number of securities the entity is to issue (if known) or the formula for calculating the number of securities the entity is to issue*

The maximum number of Facility Options to be issued is 8,484,849.

- (b) *The date by which the entity will issue the securities.*

The Facility Options will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of these Facility Options will occur on the same date in accordance with and subject to the terms of the Convertible Note Deed.

- (c) *The issue price of the securities*

The Facility Options will be issued for nil cash consideration.

- (d) *The names of the persons to whom the entity will issue the securities (if known) or the basis upon which those persons will be identified or selected*

The Options will be issued to the Noteholder, who is not a related party of the Company;

- (e) *The terms of the securities*

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

- (f) *The use (or intended use) of the funds raised*

No funds will be raised from the issue of the Facility Options.

4. RESOLUTION 3 – APPROVAL FOR THE ISSUE OF CONVERTIBLE NOTES AND FACILITY OPTIONS PURSUANT TO CONVERTIBLE NOTE FACILITY

4.1 General

As noted in Section 1.1, the Company is able to draw down up to \$4,350,000 (face value \$5,000,000) under the First Follow On Tranche, subject to Shareholder approval and other conditions specified in **Annexure A**, by giving notice 4 months after the issue date of the First Tranche (i.e. 8 July 2018). In consideration for this draw down the Company would be required to issue to the Noteholder 5,000,000 Convertible Notes and a number of Facility Options calculated in accordance with the formula specified in the Convertible Note Deed.

Resolution 3 seeks Shareholder approval to issue these Convertible Notes and Facility Options to the Noteholder.

When the Company issues each of the Follow On Tranches, on the relevant Issue Date, it must also issue to the Noteholder a number of Follow On Options, calculated as follows:

$$N = \frac{PA \times 40\%}{CP}$$

where:

N is the number of Follow On Options

PA is the Principal Amount of that Follow On Tranche

CP is the 5 Trading Day VWAP ending on the last Trading Day before the Issue Date of that Follow On Tranche

The number of Facility Options to be issued is therefore unable to be ascertained but assuming the First Follow On Tranche is fully drawn down and the 5 Trading VWAP is \$0.16, the number of Facility Options to be issued is 12,500,000.

4.2 ASX Listing Rule 7.1

A summary of ASX Listing Rule 7.1 is set out in Section 2.1.

The effect of Resolution 3 will be to allow the Company to issue the Convertible Notes and Facility Options for the First Follow On Tranche under the Convertible Note Facility to the Noteholder during the period of 3 months after the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules), and to allow the Company to issue the Shares on conversion of those Convertible Notes and the Shares on exercise of those Facility Options without using the Company's 15% annual placement capacity.

4.3 Technical information required by ASX Listing Rule 7.1

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

- (a) *The maximum number of securities the entity is to issue (if known) or the formula for calculating the number of securities the entity is to issue*

The maximum number of Convertible Notes to be issued is 5,000,000 and the number of Facility Options to be issued will be equal to the principal amount of the applicable Convertible Notes multiplied by 40% (e.g. \$2,000,000) and then divided by the 5 trading day VWAP of Shares as traded on ASX and published by Bloomberg ending on the last trading day before the date of issue of the Convertible Notes of the First Follow On Tranche (e.g. based on a 5 Trading Day VWAP of \$0.16 and assuming the First Follow On Tranche was fully drawn down, 12,500,000 Facility Options would be issued) with a fraction rounded up to the nearest whole number. By way of further example, based on a 5 Trading Day VWAP of \$0.08 and assuming the First Follow On Tranche was fully drawn down, 25,000,000 Facility Options would be issued

- (b) *The date by which the entity will issue the securities.*

The Convertible Notes and Facility Options will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of these equity securities will occur on the same date in accordance with and subject to the terms of the Convertible Note Deed.

- (c) *The issue price of the securities*

The issue price of each Convertible Notes is \$0.87 with a face value of \$1.00. The Facility Options will be issued for nil cash consideration.

- (d) *The names of the persons to whom the entity will issue the securities (if known) or the basis upon which those persons will be identified or selected*

The Convertible Notes and Facility Options will be issued to the Noteholder, who is not a related party of the Company.

- (e) *The terms of the securities*

The Convertible Notes will be issued on the terms summarised in **Annexure A** and the Facility Options will be issued on the terms and conditions set out in **Annexure B**.

(f) *The use (or intended use) of the funds raised*

The funds raised from this issue (\$4,350,000 before costs) will be used to advance the large-scale pilot plant for the production of lithium chemicals, recommissioning the VSPC lithium-ion battery cathode plant, to fund working capital and for general corporate purposes of the Company.

5. RESOLUTIONS 4, 5 AND 6 – RATIFICATION OF PRIOR ISSUES OF SHARES

5.1 Background

On 31 July 2017 the Company announced that it had entered into a Controlled Placement Agreement (**CPA**) with Acuity Capital. Resolutions 4, 5A & 5B and 6 seek Shareholder ratification of the issue of Shares to Acuity Capital pursuant to that CPA as follows:

15,000,000 Shares issued to Acuity Capital as announced to ASX on 31 October 2017 (Resolution 4) – all issued under ASX Listing Rule 7.1A placement capacity.

15,000,000 Shares issued to Acuity Capital as announced to ASX on 14 November 2017 (Resolution 5A) – 3,526,825 issued under ASX Listing Rule 7.1A placement capacity; and (Resolution 5B) – 11,473,175 issued under ASX Listing Rule 7.1 placement capacity for a total of 15,000,000 Shares.

3,250,000 Shares issued to Acuity Capital as announced to ASX on 13 February 2018 (Resolution 6) – all issued under ASX Listing Rule 7.1A placement capacity.

The Company issued the 33,250,000 Shares without prior Shareholder approval out of its annual placement capacity under ASX Listing Rule 7.1 (11,473,175 Shares) and ASX Listing Rule 7.1A (21,776,825 Shares) in accordance with the terms and conditions of the CPA.

Resolutions 4, 5 and 6 seek Shareholder ratification pursuant to ASX Listing Rule 7.4 and for all other purposes of the issue of those Shares.

5.2 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 in Resolution 5B 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. In regard to Resolution 5B, the approval will allow those particular Shares so approved under Resolution 5A to be used in the calculation of the updated refreshed capacity.

5.3 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 Resolutions 4, 5 and 6:

(a) *The number of securities issued*

Resolution 4 – 15,000,000 Shares.

Resolution 5A – 3,526,825 Shares.

Resolution 5B – 11,473,175 Shares (together resolutions 5A and 5B total 15,000,000 Shares).

Resolution 6 – 3,250,000 Shares.

(b) *The price at which the securities were issued*

Resolution 4 – \$0.16533 per Share.
Resolutions 5A, 5B and 6 – \$0.20 per Share.

(c) *The terms of the securities*

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 names of the persons to whom the entity issued the securities or the basis on which those persons were determined*

Acuity Capital Investment Management Pty Ltd ATF Acuity Capital Holdings Trust, which is not a related party of the Company.

(e) *The use (or intended use) of the funds raised*

Funds raised from the issue of the Shares the subject of Resolutions 4, 5 and 6 will be used to provide funding for the commitment for the development of LSPP including front-end engineering and design, procurement of long lead items and general working capital.

5.4 Directors' recommendation

None of the Directors have a material personal interest in the subject matter of Resolution 4, 5 or 6. 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 Resolutions 4, 5 and 6 as they provide 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.

6. RESOLUTION 7 – RATIFICATION OF PRIOR ISSUE OF 606,874 SHARES

6.1 Background

On 13 February 2018 the Company issued 606,874 Shares to suppliers to the Company in consideration for goods and services provided by them to the Company.

The Company issued 606,874 Shares without prior Shareholder approval out of its 15% annual placement capacity.

Resolution 7 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 and for all other purposes of the issue of those Shares.

6.2 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.

6.3 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 7:

(a) *The number of securities issued*

606,874 Shares were issued.

(b) *The price at which the securities were issued*

\$0.1952 – the Shares were issued as consideration for goods and services provided by suppliers to the Company.

(c) *The terms of the securities*

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 names of the persons to whom the entity issued the securities or the basis on which those persons were determined*

The Shares were issued to suppliers to the Company none of whom are related parties of the Company and are listed below.

S3 Consortium Pty Ltd
Mr A Hornabrook
Mr D Ward
Indirect Taxes Consulting Pty Ltd
Cameron Mining

(e) *The use (or intended use) of the funds raised*

No funds were raised from the issue of the Shares.

6.4 Directors' recommendation

None of the Directors have a material personal interest in the subject matter of Resolution 7. 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 7 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.

7. RESOLUTION 8 - APPROVAL FOR THE ISSUE OF ISSUE OF 1,500,000 SHARES AND 5,000,000 LITCE PARTLY PAID SHARES

7.1 Background

As announced on 28 February 2018, the Company completed the purchase of 99.7% of the issued share capital of the Very Small Particle Company Ltd. Under Resolution 8 Shareholder approval is being sought for the issue of 1,500,000 Shares and 5,000,000 LITCE Partly Paid Shares to the facilitator of the acquisition as a facilitator's finding fee.

7.2 ASX Listing Rule 7.1

ASX Listing Rule 7.1 prohibits a listed company from issuing, or agreeing to issue, equity securities (which include shares) that exceed 15% of the total number of ordinary securities on

issue in any 12 month period, unless approval is obtained from the holders of the company's ordinary securities. Shareholder approval for the purposes of ASX Listing Rule 7.1 is being sought in Resolution 8 for the issue of 1,500,000 Shares and 5,000,000 LITCE Partly Paid Shares, respectively, to the facilitator of the acquisition.

If Shareholders approve Resolution 8, the proposed issue of 1,500,000 Shares and 5,000,000 LITCE Partly Paid Shares will be excluded from the calculations of the 15% limit under ASX Listing Rule 7.1.

7.3 ASX Listing Rule Disclosure Requirements

The following information is provided for the purpose of ASX Listing Rule 7.3:

(a) *The maximum of securities the Company is to issue*

Shares – 1,500,000
LITCE Partly Paid Shares - 5,000,000

(b) *The date by which the Company will issue the securities*

Within 3 months of the date of this Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules).

(c) *The issue price of the securities*

Shares – Nil
Partly Paid Shares – Nil

(d) *The names of the persons to whom the Company issued the securities or the basis on which those persons were determined*

TR Nominees Pty Ltd, which is not a related party of the Company or an associate of a related party of the Company.

(e) *The terms of the securities*

The 1,500,000 Shares will be fully paid and rank pari passu in all respects with the Company's other Shares on issue and will be listed on the ASX.

The 5,000,000 LITCE Partly Paid Shares are partly paid contributing shares in the capital of the Company paid to \$0.0001 each (\$0.2499 unpaid) issued on the same terms and conditions as those currently on issue in that class.

(f) *The intended use of the funds raised*

The 1,500,000 Shares and the 5,000,000 LITCE Partly Paid Shares to be issued are both for nil consideration and accordingly no funds were or will be raised from their issue.

(g) *The issue date*

The issue of Shares will occur progressively but will be issued within 3 months of the date of this Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules).

7.4 Directors' Recommendation

The Board recommends Shareholders vote in favour of Resolution 8 as it allows the Company greater flexibility to issue further Securities representing up to 15% (under ASX Listing Rule 7.1) of the total number of Shares on issue in any 12 month period without Shareholder approval.

8. RESOLUTIONS 9 TO 13 – APPROVAL OF LITHIUM AUSTRALIA NL SECURITIES INCENTIVE PLAN, ISSUE OF PERFORMANCE RIGHTS TO DIRECTORS AND APPROVAL OF POTENTIAL TERMINATION BENEFITS UNDER THE LITHIUM AUSTRALIA NL SECURITIES INCENTIVE PLAN

8.1 Background to Resolution 9

Resolution 9 is a resolution which seeks Shareholder approval for a new Lithium Australia NL Securities Incentive Plan (**Incentive Plan**). A summary of the terms and conditions is set out in Annexure C to this Notice of Meeting.

Listing Rule 7.1 places certain restrictions on the extent to which a listed company may issue certain equity securities, including options. The effect is that shareholder approval is required before the company may issue equity securities representing more than 15% of the capital of the company within a 12 month period. However, certain issues are exempt from the restrictions of Listing Rule 7.1 and are effectively disregarded for the purposes of determining the number of securities which a company may issue within a 12 month period. Exempt issues include an issue of securities to persons participating in an employee incentive scheme where shareholders have approved the issue of securities under the scheme as an exemption from Listing Rule 7.1. Shareholder approval must be given in a general meeting held not more than 3 years before the date of issue when the notice of meeting contains or is accompanied by certain prescribed information (set out below) (Exception 9 of Listing Rule 7.2).

In order to take advantage of the exemption from Listing Rule 7.1 and allow the Company flexibility to issue securities, Shareholders are requested to approve the issue of securities under the Incentive Plan (**Plan Securities**) as an exemption from Listing Rule 7.1. This approval will be effective for a period of three (3) years from the date of the Resolution. It should be noted that Resolution 9 does not approve the issue of any Plan Securities to any Director, employee or consultant of the Company. Plan Securities cannot be granted to Directors or associates of the Company unless prior approval of Shareholders is obtained in accordance with the Listing Rules.

The main purpose of the Incentive Plan is to give an additional reward to Directors, employees and consultants of the Company to provide dedicated and ongoing commitment and effort to the Company, and for the Company to reward its Directors, employees and consultants for their efforts. The Incentive Plan is a reward plan designed to increase the motivation of personnel and create a stronger link between increasing Shareholder value and personnel reward.

If convertible securities issued under the Plan are exercised, it will have the effect of increasing the Company's cash position by the amount of the exercise price multiplied by the number of Plan convertible securities exercised. It will also increase the number of Shares that are on issue by the number of Plan convertible securities exercised.

Shares issued pursuant to the exercise of Plan convertible securities will rank pari passu in all respects with the Company's existing Shares.

Application will not be made for official quotation on the ASX of the Plan Securities.

The Board believes that the Incentive Plan will:

- enable the Company to recruit and retain the talented people needed to achieve the Company's business objectives;
- link the rewards of key personnel with the achievements of strategic goals and the performance of the Company;
- align the financial interest of participants in the Incentive Plan with those of shareholders of the Company; and
- provide reward to participants in the Incentive Plan to focus on superior performance that creates shareholder value.

8.2 ASX Listing Rule 7.2 (Exception 9(b)) Disclosure Requirements

In accordance with Listing Rule 7.2 (Exception 9(b)), the following information is disclosed to Shareholders for the purposes of Resolution 9:

- (a) *The terms and conditions of the Incentive Plan are summarised in **Annexure C** to this Notice of Meeting.*
- (b) *A voting exclusion statement is included in the Notice.*

If Shareholder approval to the adoption of the Incentive Plan is granted pursuant to Resolution 9, offers of Performance Rights to the Company's Directors will be made under the Incentive Plan, for which Shareholder approval will be sought pursuant to Resolutions 10 to 12 inclusive. No other offers have been made under the Incentive Plan as at the date of this Notice or will have been made at the date of the Meeting.

8.3 Directors' Recommendation for Resolution 9

As the Directors may have a personal interest in Resolution 9, the Directors make no recommendation as to how Shareholders should vote on this resolution.

8.4 Background to Resolutions 10, 11 and 12

Subject to the approval of Shareholders and the approval of Resolution 9 by Shareholders, the Company proposes to issue a total of 7,200,000 Performance Rights to Messrs Adrian Griffin, George Bauk and Bryan Dixon, who are Directors, and/or their nominee(s) pursuant to Resolutions 10, 11 and 12 respectively. As Resolutions 10 to 12 inclusive seek approval for the issue of Performance Rights, being Plan Securities pursuant to the Incentive Plan, Resolutions 10 to 12 inclusive are conditional upon the passing of Resolution 9 (which seeks Shareholder approval of the Incentive Plan). In the event that Resolution 9 is not passed, Resolutions 10 to 12 inclusive (and Resolution 13) will be withdrawn and will not be put to Shareholders.

The Performance Rights will be issued for no consideration. No consideration is payable for the conversion of Performance Rights to Shares.

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, which are required to be reached within 5 years of the issue date 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 Directors and/or their nominee(s).

Hurdle	Total Performance Rights
Hurdle 1 Successful pilot plant recommissioning of Very Small Particle Company Ltd based at Wacol, Brisbane, Queensland (now owned 99.7% by the Company) for production of cathode material (Plant)	900,000
Hurdle 2 Product quality specifications produced by the Plant are equal to or greater than industry accepted reference standards	900,000
Hurdle 3 The delivery of a Pre Feasibility Study supporting a decision to proceed to a Definitive Feasibility Study for the construction of a commercial scale plant to produce cathode material (Commercial Plant)	900,000
Hurdle 4 The delivery of a Definitive Feasibility Study for the construction of a Commercial Plant to produce cathode material which supports an investment decision to proceed to construction	2,250,000
Hurdle 5 Commencement of construction of Commercial Plant	2,250,000
Total	7,200,000

Distribution of Performance Rights				
	Adrian Griffin	Bryan Dixon	George Bauk	Total
Hurdle 1	500,000	200,000	200,000	900,000
Hurdle 2	500,000	200,000	200,000	900,000
Hurdle 3	500,000	200,000	200,000	900,000
Hurdle 4	1,250,000	500,000	500,000	2,250,000
Hurdle 5	1,250,000	500,000	500,000	2,250,000
Total	4,000,000	1,600,000	1,600,000	7,200,000

A summary of the Incentive Plan under which the Performance Rights are to be issued is set out in **Annexure C**.

8.5 Approvals required

Shareholder approval of the grant of the Performance Rights the subject of Resolutions 10 to 12 inclusive is sought for the purposes of:

- 1) Part 2E.1 of the Corporations Act, which governs the giving of financial benefits to directors and other “related parties” of a company; and
- 2) ASX Listing Rule 10.14.

ASX Listing Rule 10.11 provides that subject to certain exceptions, a company must not issue or grant securities to a director without shareholder approval. The grant of securities to a director pursuant to an employee incentive scheme that has been approved by shareholders in accordance with ASX Listing Rule 10.14 is an exception to ASX Listing Rule 10.11. Resolution 9 above seeks Shareholder approval of an employee incentive scheme, the Incentive Plan, for the purposes of this exception. Resolutions 10 to 12 inclusive seek Shareholder approval for the issue of securities to Directors pursuant to that Incentive Plan for the purposes of ASX Listing Rule 10.14.

The object of Resolutions 10 to 12 inclusive is to provide the Directors with a mechanism to participate in the future development of the Company and an incentive for their future involvement with and commitment to the Company. The Directors believe that the success of the Company in the future will depend in large part upon the skills of the people engaged to manage the Company's operations. Accordingly it is important that the Company is able to attract and retain people of the highest calibre. The Directors consider that the most appropriate means of achieving this is to provide directors with an opportunity to participate in the Company's future growth and an incentive to contribute to that growth.

8.6 Chapter 2E of the Corporations Act

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 and/or their nominee(s) involves the provision of a financial benefit to a related party of the Company and, therefore, requires prior Shareholder approval. In accordance with the requirements of Chapter 2E and, in particular, sections 219 and 221 of the Corporations Act and ASX Listing Rule 10.15, the following information is provided to Shareholders to allow them to assess the proposed grant of Performance Rights pursuant to the Incentive Plan:

- (a) Directors Messrs Griffin, Dixon and Bauk are related parties of the Company to whom the financial benefit would be given by virtue of section 228(2)(a) of the Corporations Act (or in the case of their respective nominee(s), section 228(4) of the Corporations Act). If Resolutions 10 to 12 are passed by Shareholders, they will permit the giving of a financial benefit to these Directors (and/or their nominees):

Resolution	Director	Position	Annual remuneration including superannuation and non cash benefits	Estimated value of Performance Rights (Annexure D)
10	Adrian Griffin	Managing Director	\$385,000	\$200,000
11	Bryan Dixon	Non-Executive Director	\$60,000	\$80,000
12	George Bauk	Non-Executive Chairman	\$90,000	\$80,000

- (b) The expiry date of the Performance Rights is 5 years from the date of their grant.

- (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) The Performance Rights will be issued within 12 months of the date of the Meeting or such later date as the ASX Listing Rules permit (including such later date as permitted by any ASX waiver or modification of the ASX Listing Rules).
- (e) No Performance Rights or other Plan Securities have previously been issued under the Incentive Plan to persons referred to in ASX Listing Rule 10.14, nor has the Incentive Plan previously been adopted by Shareholders;
- (f) All Directors are entitled to participate in the Incentive Plan and include Messrs Griffin, Dixon and Bauk;
- (g) The Performance Rights are to be granted for nil consideration and therefore no funds will be raised from their issue;
- (h) 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	9,782,980	5,935,869	5,175,000	9,050,000	4,000,000	7.14%
Bryan Dixon	2,578,978	508,472	4,000,000	4,525,000	1,600,000	2.96%
George Bauk	620,980	460,125	2,750,000	4,525,000	1,600,000	2.23%

*Assuming Shareholders approve the issue of the Performance Rights to Directors that are subject to Resolutions 10 to 12 inclusive and all Performance Rights and current options are exercised.

- (i) If Shareholders approve Resolutions 9 to 12 inclusive, and 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 10 to 12) it will dilute the holdings of existing Shareholders by approximately 8.33%.
- (j) 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.
- (k) The Company has valued the Performance Rights. See **Annexure D** for details of the valuation. As there is no exercise price and no near-term expectation of dividends, the value of a Performance Right determined is equivalent to the value of a Share. This is irrespective of the volatility and risk-free rate adopted in the valuation. Due to the nature of the vesting conditions and the early stage nature of the company it is possible that the vesting conditions will not be met and thus no Performance Rights will vest. Therefore the expense attributable to the Performance Rights and the value received by [employees and Directors] from them could range between nil and \$0.05 per Performance Right granted. This valuation is not automatically the valuation for taxation purposes.

- (l) The Board recognises that the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations states that non-executive directors should not receive performance rights as part of their remuneration. Notwithstanding this, the Board considers the issue of Performance Rights to the Directors is appropriate in the circumstances for the reasons set out below:
- (A) 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 10 to 12 inclusive 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.
 - (B) 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.
- (m) neither the Directors nor the Company are 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 the Resolutions other than as follows:
- (A) if all the Performance Rights the subject of Resolutions 10 to 12 inclusive are granted and exercised, then the Company's fully paid share capital (based on the existing number of Shares and assuming no other Company securities are exercised or converted) will be diluted by 8.33%;
 - (B) the Directors consider that the incentive represented by the grant of Performance Rights is a cost effective and efficient incentive when compared to other forms of incentive such as cash, bonuses or increased remuneration;
 - (C) the primary purpose of the grant of Performance Rights is to provide an incentive to Messrs Griffin, Dixon and Bauk. Given this purpose, the Directors do not consider that there is any opportunity cost or benefit foregone to the Company in granting the Performance Rights that are the subject of Resolutions 10 to 12 inclusive (other than as set out below); and
 - (D) the Board has examined the individual remuneration packages of Directors to determine the fairness and reasonableness of the remuneration package. As part of the examination, the Board has reviewed the remuneration packages of industry executives and non-executives in similar roles. The Board considers the grants to Messrs Griffin, Dixon and Bauk are appropriate in the circumstances for the reasons set out below.
- (n) no loans by the Company exist in relation to the proposed grant of the Performance Rights.

Based on its examination, the Board has concluded that the totality of Messrs Griffin, Dixon and Bauk's remuneration packages, including the equity component of up to 7,200,000 Performance Rights now to be considered for approval by Shareholders, 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 Messrs Griffin, Dixon and Bauk's significant management experience and knowledge of the mineral exploration industry.

Accounting standards require that granted Performance Rights be valued and expensed. The Directors do not consider that there are any other opportunity costs to the Company or benefits forgone by the Company in respect of the proposed issue of Performance Rights pursuant to Resolutions 10 to 12 inclusive.

The last available price of Shares quoted on ASX prior to the date of this Notice of Meeting on 13 March 2018 was \$0.17. The highest price for Shares trading on ASX over the last 12 months was \$0.265 on 13 and 14 November 2017 and the lowest price in that period was \$0.073 on 5 and 6 July 2017.

8.7 ASX Listing Rules 10.11 and 10.14

ASX Listing Rule 10.11 provides that, subject to certain exceptions, a company must not issue or grant securities to a director without shareholder approval. The grant of securities to a director pursuant to an employee incentive scheme that has been approved by shareholders in accordance with ASX Listing Rule 10.14 is an exception to ASX Listing Rule 10.11. Resolution 9 above seeks Shareholder approval of an employee incentive scheme for the purposes of this exception. Resolutions 10 to 12 inclusive seek Shareholder approval for the grant of securities to Directors under that employee incentive scheme for the purposes of ASX Listing Rule 10.14. Information required for the purposes of ASX Listing Rule 10.15 in relation to the Shareholder approval sought under ASX Listing Rule 10.14 pursuant to Resolutions 10 to 12 inclusive is provided in the Notice of Meeting and the Explanatory Memorandum above.

8.8 ASX Listing Rule 7.1

ASX Listing Rule 7.1 provides that prior approval of shareholders is required for an issue of equity securities if the equity securities will, when aggregated with the equity securities issued by a company during the previous 12 months, exceed 15% of the number of ordinary shares on issue at the commencement of that 12 month period.

Approval pursuant to ASX Listing Rule 7.1 is not required (under Exception 14 to ASX Listing Rule 7.1) in order to issue the Performance Rights to Messrs Griffin, Dixon and Bauk and/or their nominee(s) as approval is being obtained under ASX Listing Rule 10.14.

Shareholders should note that the issue of securities to Messrs Griffin, Dixon and Bauk and/or their nominee(s) will not be included in the 15% calculation for the purposes of ASX Listing Rule 7.1.

8.9 Section 200B of the Corporations Act

The Corporations Act restricts the benefits which can be given to certain persons (those who hold a managerial or executive office, as defined in the Corporations Act) on leaving their employment or office with the Company or any of its related bodies corporate. Under Section 200B of the Corporations Act, a company may only give a person a benefit in connection with their ceasing to hold a managerial or executive office in the company or its related bodies corporate if it is approved by shareholders or an exemption applies. This applies to all Directors and to all key management personnel of the Company (that is, to all persons whose remuneration is required to be disclosed in the Remuneration Report), including those who are not Directors. Additionally, persons subject to the restrictions remain subject to them for at least three years after they cease to hold a managerial or executive office.

Under the terms and conditions of the proposed Incentive Plan (the subject of Resolution 9) under which the Performance Rights, that are the subject of Resolutions 10 to 12 inclusive, are being issued, circumstances in which the early vesting of Performance Rights are permitted at the Board's discretion include termination of a participant's employment, engagement or office with the Company due to death, permanent incapacity, mental incapacity, redundancy, resignation, retirement or any other reason the Board decides, or in other circumstances where the Board exercises its discretion to allow early vesting as well as change of control events, notwithstanding that the Company will comply with its obligations under ASX Listing Rules 10.18 and 10.19. The termination "benefit" under section 200B of the Corporations Act has a wide operation and relevantly includes, in the context of Resolutions 10 to 13, the early vesting of Performance Rights or Plan Securities upon the exercise of the Board's discretion or the Board determining to provide that the Performance Rights or participant's Plan Securities do not lapse but will continue and be vested in the ordinary course.

Resolutions 10 to 12 therefore also seek approval of any termination benefit that may be provided to a Director under the terms and conditions of the Performance Rights proposed to be issued under Resolutions 10 to 12 inclusive.

As the same terms and conditions apply to any Plan Securities issued under the proposed Incentive Plan (the subject of Resolution 9), Resolution 13 also seeks approval of any "termination benefit" that may be provided to a participant under the terms and conditions of Plan Securities that might be issued in the future to persons who from, time to time, holds a managerial or executive office (as defined in the Corporations Act) in the Company, to the extent permitted by law. Plan Securities cannot be granted to Directors or associates of the Company unless prior approval of Shareholders is obtained in accordance with the ASX Listing Rules.

Resolutions 10 to 13 inclusive are conditional upon the passing of Resolution 9 (which seeks Shareholder approval of the Incentive Plan). In the event that Resolution 9 is not passed, Resolutions 10 to 13 inclusive will be withdrawn and will not be put to Shareholders.

Specifically, Shareholder approval is being sought to give the Board (or the Boards' delegate) the capacity to exercise certain discretions under the terms and conditions of the Performance Rights (under Resolutions 10 to 12) or other Plan Securities to be issued in the future to persons who hold a managerial or executive office (as defined in the Corporations Act) in the Company to the extent permitted by law (under Resolution 13), including the discretion to determine to vest some or all of the unvested Performance Rights or unvested Plan Securities of any .

The Company is seeking approval to assist the Company in meeting its existing obligations to Directors and employees of the group, and to provide the Company with the flexibility to continue to remunerate employees fairly and responsibly.

If all relevant Shareholder approvals are obtained under Resolutions 10 to 13, and the Board exercises its discretion to vest some or all of an affected participant's unvested Performance Rights or Plan Securities, (or to provide that the participant's Performance Rights or Plan Securities do not lapse but will continue and be vested in the ordinary course), the value of these benefits will be disregarded when calculating the relevant participants statutory cap for the purposes of subsection 200F(2)(b) or subsection 200G(1)(c) of the Corporations Act.

The terms and conditions of the Incentive Plan are summarised in **Annexure C** to this Notice of Meeting.

8.10 Section 200E of the Corporations Act

Section 200E requires certain information to be provided to shareholders in approving a termination benefit. Whilst the value of the proposed termination benefits cannot currently be ascertained, the manner in which the value of the proposed termination benefits is calculated, and the matters, events and circumstances that will, or are likely to, affect the calculation of the value are as follows:

(A) Details of the termination benefits

The terms and conditions of the proposed Performance Rights to be issued under the Incentive Plan and any Plan Securities to be issued in the future, the issue of which Shareholder approval is sought for under Resolutions 10 to 12 inclusive, contains provisions dealing with the early vesting of unvested Performance Rights in certain circumstances. For example, where the holder's office with the Company is terminated before the Performance Rights have vested, the Performance Rights may vest in the Board's discretion and the basis on which vesting may occur (which may include, without limitation, timing and conditions). Similarly, if a "change of control" occurs, the Board may determine that some or all of a participant's unvested Performance Rights will vest. The Company will comply with its obligations under ASX Listing Rule 10.18. The Board may also determine to provide that the Performance Rights or participant's Plan Securities do not lapse but will continue and be vested in the ordinary course. The exercise of these and other discretions in the Incentive Plan will constitute a "benefit" for the purposes of the Corporations Act's termination benefits provisions.

The same terms and conditions applies to any Plan Securities that may be issued under the Incentive Plan in the future and Shareholder approval is also sought for future issues of Plan Securities under Resolution 13, to the extent permitted by law, for exercise of these and other discretions in the Incentive Plan that will constitute a benefit for the purposes of the Corporations Act's termination benefits provisions. Plan Securities cannot be granted to Directors or associates of the Company unless prior approval of Shareholders is obtained in accordance with the ASX Listing Rules. The exercise of these discretions will constitute a "benefit" for the purposes of the Corporations Act's termination benefits provisions.

(B) Value of the termination benefits

The value of the termination benefits under the proposed terms and conditions of the Performance Rights and Plan Securities cannot be determined in advance as various matters will, or are likely to affect that value. Specifically, if the issue of the Performance Rights is approved by Shareholders under Resolutions 10 to 12 or if any Plan Securities are issued in the future, the value of a particular benefit will depend on the Company's share price at the time of vesting and the number of Performance Rights or Plan Securities that vest or the Board decides to vest. Some of the future factors that may affect the value of the termination benefits are as follows:

- (i) the holder's length of service and the proportion of any relevant performance periods that have expired at the time their office is terminated;
- (ii) the holder's total fixed remuneration at the time the Performance Rights are issued and at the time they leave employment; and
- (iii) the number of unvested Performance Rights held at the time their office is terminated; and
- (iv) the reasons for termination of their office.

Despite an approval by Shareholders of Resolutions 9 to 13 inclusive, any future grant of Plan Securities to a Director or his or her associates will remain subject to Shareholder approval under Listing Rule 10.14. The Company will comply with its obligations under ASX Listing Rule 10.19.

8.11 Directors' Recommendation for resolutions 10 to 12

Mr Adrian Griffin declines to make a recommendation to Shareholders in relation to Resolution 10 due to his material personal interest in the outcome of the Resolution.

The Directors (other than Mr Adrian Griffin) recommend that, for the reasons set out above, Shareholders vote in favour of Resolution 10.

Mr Bryan Dixon declines to make a recommendation to Shareholders in relation to Resolution 11 due to his material personal interest in the outcome of the Resolution.

The Directors (other than Mr Bryan Dixon) recommend that, for the reasons set out above, Shareholders vote in favour of Resolution 11.

Mr George Bauk declines to make a recommendation to Shareholders in relation to Resolution 12 due to his material personal interest in the outcome of the Resolution.

The Directors (other than Mr George Bauk) recommend that, for the reasons set out above, Shareholders vote in favour of Resolution 12.

8.12 Directors' Recommendation for Resolution 13

As the Directors may have a personal interest in Resolution 13, the Directors make no recommendation as to how Shareholders should vote on this resolution.

GLOSSARY

\$ means Australian dollars.

2017 Annual Report means the annual report of the Company including the reports of the Directors and auditor and the financial statements of the Company for the financial year ended 30 June 2017, which can be downloaded from the Company's website at www.lithium-au.com

Acuity Capital means Acuity Capital Investment Management Pty Ltd ATF Acuity Capital Holdings Trust.

ASIC means the Australian Securities & Investments Commission.

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

ASX Listing Rules or Listing Rules means the 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 current board of directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Chair means the chairperson of the Meeting.

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

- a spouse or child of the member;
- a child of the member's spouse;
- a dependent of the member or the member's spouse;
- 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;
- a company the member controls; or
- 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 as amended from time to time.

Convertible Notes or Notes means the convertible notes issued by the Company which are convertible into Shares on the terms and conditions of the Convertible Note Deed.

Convertible Note Deed means the convertible note deed entered into between the Company and the Noteholder and announced to ASX on 1 March 2018, which outlines the terms of the Convertible Note Facility.

Convertible Note Facility or Facility means the facility with a face value of \$21,000,000 on the terms as set out under the Convertible Note Deed.

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.

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

Facility Options means the Options issued to the Noteholder under the Convertible Note Deed with the terms and conditions set out in **Annexure B**.

First Follow On Tranche has the meaning given in Section 1.1.

First Tranche is defined in Section 1.1.

Follow On Tranches means 5 Tranches of Convertible Notes to be issued by the Company to the Noteholder under the Convertible Note Facility on the applicable issue date with the following Principal Amounts:

- (i) the First Follow On Tranche having a Principal Amount of \$5,000,000; and
- (ii) each of the Third, Fourth, Fifth and Sixth Tranches having a Principal Amount of \$3,125,000;

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

Incentive Plan is defined in the section of the Explanatory Memorandum that relates to Resolution 4

Key Management Personnel has the same meaning given 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).

LITCE Partly Paid Share means the Partly Paid Shares quoted on the ASX under the symbol LITCE.

Noteholder means Arena Investors, LP.

Notice or **Notice of Meeting** means this notice of meeting including the Explanatory Memorandum and the Proxy Form.

Option means an option to acquire a Share.

Option holder means a holder of an Option

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

Plan Securities is defined in the section of the Explanatory Memorandum that relates to Resolution 9.

Performance Right means a right to acquire a Share on the terms set out in the Plan for a specified performance period and subject to satisfaction of a specified performance hurdle.

Proxy Form means the proxy form accompanying the Notice.

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

Remuneration Report means that section of the Directors' report contained in the 2017 Annual Report under the heading 'Remuneration Report', prepared in accordance with section 300A of the Corporations Act.

Section means a section of the Explanatory Memorandum.

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

Shareholder means a registered holder of a Share.

Tranche means each of the First Tranche and each of the Follow On Tranches, as the context requires.

VWAP means the volume weighted average price of Shares traded on ASX, as published by Bloomberg.

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

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.

ANNEXURE A – CONVERTIBLE NOTE FACILITY TERMS

The following is a broad summary of the rights, privileges and restrictions attaching to the Convertible Notes. The summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of the Noteholder.

(a) Term

Each tranche of Convertible Notes has a term of 12 months.

Should the Company fail to satisfy the conditions precedent to draw down, deliver an issue notice within the relevant periods or fails to draw any portion or all of the Follow On Tranches prior to the 1 year anniversary of the issue date of the First Tranche, the Company must pay the Noteholder the relevant Termination Payment, in addition to any other obligation of the Company under the Convertible Note Deed, and the Noteholder's obligation to subscribe for further Convertible Notes under the Facility lapses. The Termination Payment an amount equal to 15% of the total Principal Amount of all Convertible Notes which have not been issued under any Tranche and for which Shareholder approval has been obtained.

(b) Face Value

The Facility has a total face value of \$21,000,000.

Each Convertible Note will be issued with a face value of \$1.00.

(c) Purchase Price

The purchase price is 87% of the Face Value and is therefore as follows:

- (i) the First Tranche has an aggregate face value of \$3,500,000 and therefore a purchase price of \$3,045,000;
- (ii) the First Follow On Tranche has an aggregate face value of \$5,000,000 and therefore a purchase price of \$4,350,000; and
- (iii) the remaining four (4) Follow On Tranches each have an aggregate face value of \$3,125,000 and therefore a purchase price of \$2,718,750.

The total purchase price being \$18,270,000 (**Purchase Price**).

(d) Conditions to draw down of First Tranche and Follow On Tranches

The drawdown of the First Tranche is subject to the satisfaction of the following conditions precedent:

- (i) evidence that the Company has received all necessary Board approvals to enter into the Convertible Note Deed and the transactions contemplated by it and comply with their obligations under it;
- (ii) the Company confirming in writing, signed by 2 directors that no Event of Default as defined in paragraph (m) below) and no event or circumstance which with the passage of time or the fulfillment of any condition is reasonably likely to become an Event of Default is continuing unremedied or would occur as a result of the issue by the Company of any of the Tranches;
- (iii) the market capitalisation of the Company being at least \$30 million;

- (iv) the Company confirming in writing, signed by 2 directors, that no Material Adverse Change and no Change of Control (as these terms are defined in the Convertible Note Deed) has occurred and no event or circumstance which with the passage of time or the fulfillment of any condition is reasonably likely to become a Material Adverse Change or Change of Control is continuing unremedied or would occur as a result of the issue by the Company of any of the Tranches;
- (v) evidence that the Company has sufficient capacity to issue the First Tranche, and all Shares on conversion of the First Tranche, or has obtained Shareholder approval in accordance with the Listing Rules for the issue of the First Tranche and all Shares on conversion of the First Tranche;
- (vi) evidence that the Company has obtained all necessary regulatory approvals, including under the Listing Rules, for the transactions under the Convertible Note Deed;
- (vii) the Noteholder has completed due diligence to its satisfaction; and
- (viii) there is no evidence that the Company does not operate in the normal course of its business.

The drawdown of the Follow On Tranches is subject to the satisfaction of the following conditions precedent:

- (i) evidence that the Company has obtained Shareholder approval in accordance with the Listing Rules for the issue of the Follow On Tranche and relevant associated Options with all Tranches including the First Tranche, and all Shares on conversion of the relevant Follow On Tranche and exercise of the relevant Options);
- (ii) the market capitalisation of the Company being at least \$30 million;
- (iii) the Company confirming at the time that no Event of Default (as defined in paragraph (m) below) and no event or circumstance which with the passage of time or the fulfillment of any condition is reasonably likely to become an Event of Default is continuing unremedied or would occur as a result of the issue by the Company of the relevant Tranche; and
- (iv) the Company confirming at the time that no Material Adverse Change or Change of Control has occurred and no event or circumstance which with the passage of time or the fulfillment of any condition is reasonably likely to become a Material Adverse Change or Change of Control is continuing unremedied or would occur as a result of the issue by the Company of any of the relevant Tranche or Options associated with the relevant Tranche.

(e) Issue dates

The Convertible Notes will be issued as follows:

First Tranche

9 March 2018;

Follow On Tranches

For all Follow On Tranches and Facility Options associated with each Follow On Tranche, following the 30 day anniversary of the Convertible Note Deed, the Company must deliver an issue notice by providing no less than 10 days' notice in advance of the proposed issue date of such Follow On Tranche.

The Company must seek Shareholder approval for the First Follow On Tranche, the First Tranche Options and the First Follow On Tranche Options at a Shareholder meeting to be called and held within 45 days of the date of the Convertible Note Deed, which is the meeting convened by this Notice. The delivery by the Company of the issue notice for the First Follow On Tranche and First Follow On Tranche Options must allow for the issue of the First Follow On Tranche and First Follow On Tranche Options, within two Business Days after the date on which the

Company meeting at which Shareholder approval for the issue of that First Follow On Tranche and First Follow On Tranche Options was or will be obtained (being the meeting convened by this Notice).

The Company must seek Shareholder approval for the Third Tranche, the Third Tranche Options, the Fourth Tranche and the Fourth Tranche Options at a Shareholder meeting to be called and held within no earlier than 4 months after the issue date of the First Follow On Tranche unless otherwise agreed by the company and the Noteholder. The delivery by the Company of the issue notice for the Third Tranche and Third Tranche Options must allow for the issue of the that Tranche within two Business Days after the date on which the Company meeting at which Shareholder approval for the issue of that Tranche is held. If the contemplated waiver (see below) is not obtained, the timing of the delivery by the Company of the Issue Notice for the Fourth Tranche and the Fourth Tranche Options must allow for the issue of that Tranche at the last possible date of the 3 month period following the Shareholder meeting prescribed under Listing Rule 7.3.2.

The Company must seek Shareholder approval for the Fifth Tranche, the Fifth Tranche Options, the Sixth Tranche and the Sixth Tranche Options at a Shareholder meeting to be called and held within no earlier than 4 months after the issue date of the Fourth Tranche unless otherwise agreed by the Company and the Noteholder. The delivery by the Company of the issue notice for the Fifth Tranche and Third Tranche Options must allow for the issue of the that Tranche within two Business Days after the date on which the Company meeting at which Shareholder approval for the issue of that Tranche is held. If the contemplated waiver (see below) is not obtained, the timing of the delivery by the Company of the Issue Notice for the Sixth Tranche and the Sixth Tranche Options must allow for the issue of that Tranche at the last possible date of the 3 month period following the Shareholder meeting prescribed under Listing Rule 7.3.2.

Waiver

The Company will apply to the ASX for a waiver (or waivers, as required) from the 3 month period prescribed under Listing Rule 7.3.2 to allow for the relevant Tranche to be issued 4 months after the date of the relevant Shareholder meeting. If that waiver is granted, then, subject to the delivery by the Company of the relevant Issue Notice, the Fourth Tranche and the Sixth Tranche should be issued at the last possible date of the 4 month period following the relevant date of Shareholder approval for that respective Tranche.

(f) Options

- (i) Subject to Shareholder approval, upon issue of each tranche of Convertible Notes the Noteholder is entitled to an issue of Options calculated as follows:
 - (A) In respect of the First Tranche Options

Principal Amount of the First Tranche x 40%
Last closing price of Shares before the issue date of the First Tranche
 - (B) In respect of the Options associated with the Follow On Tranches

Principal Amount of that Follow On Tranche issued x 40%
5 trading day VWAP ending on the last trading day before the date of issue of the relevant Follow On Tranche
- (ii) The exercise price of the Facility Options will be 130% of the lower of the average VWAP of the Shares for the 20 consecutive trading days prior to:
 - (A) the relevant issue date of the Facility Options; or
 - (B) the date of the issue notice given for the relevant Follow On Tranche.
- (iii) The expiry date of the Facility Options will be 3 years from the date of issue.

- (iv) The Company may, subject to the receipt of Shareholder approval (if required), instead of issuing Shares on exercise of a Facility Option, pay cash to the Noteholder in immediately available funds within 2 business days of the date of receiving that Shareholder approval, calculated as follows:

Cash = N x closing price on the last trading day before the date of the notice of exercise.

N = number of Facility Options being exercised

- (v) The Facility Options are otherwise issued on the terms and conditions set out in **Annexure B**.

(g) Interest and Fees

Interest

The Company must pay interest at a rate equal to 2% per annum on accruing daily balances on 30 June and 31 December in each year and on the Maturity Date. The interest can be paid in cash or, at the election of the Company, by issuing Shares to the Noteholder in accordance with the Equity Payment Option (detailed below).

The Company must pay an additional 2% interest per annum on amounts payable to the Noteholder which are not paid in full when due, accruing on daily balances of the outstanding amount and capitalised on the last business day of each month if still not repaid (**Default Interest**). The Default Interest can also be paid in cash or at the election of the Company pursuant to the Equity Payment Option.

In order to exercise the Equity Payment Option, which applies in the event that the Company elects to satisfy a payment to the Noteholder under the Convertible Noted Deed by the issue of Shares:

- (i) the closing Share price on the business day immediately preceding the exercise date must be at least 90% of the VWAP of the Shares for the period of 5 consecutive trading days ending on the day before the exercise date of the Equity Payment Option;
- (ii) the Shares must be freely tradeable;
- (iii) the Company must have received all requisite Shareholder approvals;
- (iv) the Noteholder and its associates must not hold more than a 19.99% interest in the Shares if the Equity Payment Option is elected; and
- (v) the Noteholder must not breach the following restrictions, which restrictions apply at all times under the Convertible Note Deed:
 - (A) The Noteholder agrees not to convert any portion of the Convertible Notes before the 30 day anniversary of the date of the Deed, provided that if an Event of Default (defined below) has occurred at any time before that date, the Noteholder is free to convert any number of those Convertible Notes without restriction
 - (B) The Noteholder also agrees not to convert any Convertible Notes, exercise any Facility Options or receive any Shares under the Equity Payment Option, which would result in the Noteholder holding a relevant interest in more than 19.99% of the issued Shares (or such other limit prescribed by Section 606(1)(c)(i) of the Corporations Act from time to time),

(together the **Conversion Restrictions**).

In the event the Equity Payment Option is exercised, the issue price of each Share is taken to be the lesser of:

- (i) an amount equal to 93% of the VWAP of Shares for the trading day immediately preceding the exercise of the Equity Payment Option; and
- (ii) a price equal to 150% of the average VWAP of Shares for the 20 trading days prior to Closing.

Fees

The Company must pay in cash to the Noteholder a transaction fee in aggregate equal to 2% of the relevant principal amount on a pro rata basis upon each draw of the Tranches.

(h) Security

The Convertible Notes are unsecured.

(i) Conversion

Subject to the Conversion Restrictions, the Noteholder may convert the aggregate principal amount of those Convertible Notes (which must be a minimum of \$10,000 or any higher multiple of \$1,000) into Shares on those Convertible Notes as at the conversion date at the conversion price, being the higher of:

- (iii) the average of the VWAP over any 3 trading days selected by the Noteholder over the period of 20 trading days ending on the last trading day before the Conversion Date (being the date on which the Noteholder delivers a conversion notice to the Company); and
- (iv) the floor price, which is fixed at \$0.10 in relation to the First Tranche and is not adjustable in relation to the First Tranche, and which for each Follow On Tranche is \$0.10 unless a Floor Price Adjustment Event (as set out below) occurs, in which case it is the Adjusted Floor Price being a price equal to 90% of the average VWAP of the Shares for the period of 10 consecutive trading days ending on the day before the issue date of the relevant Follow On Tranche.

(Conversion Price).

The number of Shares issued will be equal to the aggregate principal amount of the relevant Convertible Notes divided by the Conversion Price.

A Floor Price Adjustment Event means:

- (iii) any consecutive period of 30 trading days in which the VWAP on each trading day in that period is below the floor price; and
- (iv) any issue of Shares by the Company at a price less than \$0.10, including (for the avoidance of doubt) any issue of Shares pursuant to an Excluded Transaction (as that term is defined below).

The Company must make an ASX announcement as soon as possible if a Floor Price Adjustment Event occurs.

The number of Shares issued in respect of interest accrued will be equal to the interest accrued divided by the Interest Conversion Price being the lesser of:

- (A) an amount equal to 93% of the VWAP for the trading day immediately preceding the date of the conversion notice; and
- (B) the Fixed Conversion Price, being means a price equal to 150% of the average VWAP of the Shares for the 20 Trading Days prior to closing.

Alternatively, the Company can satisfy the above obligations arising on conversion by paying to the Noteholder the equivalent amount in cash.

(j) Protective Provisions

Upon the occurrence of certain events, including a bonus issue of Shares, a rights issue, a private placement of Shares, a reorganisation or reconstruction of capital, a dividend is declared or paid, or issues of Shares at a discount to market (other than in respect of an Excluded Transaction), the Conversion Price that is not variable may be altered. An **Excluded Transaction** means any or all of the following:

- (i) the acquisition by the Company of up to 100% of the issued capital in Very Small Particle Company Limited and the issue of Company securities in connection with that acquisition;
- (ii) the completion by the Company of a security purchase plan in accordance with the Listing Rules and Corporations Act and the issue of Company securities in connection with that plan;
- (iii) subject to obtaining the Noteholder's prior written consent, Shares issued to or at the direction of Acuity Capital Investment Management Pty Ltd or its related entity;
- (iv) issues of Company securities to the Company's directors, employees, consultants and contractors;
- (v) issues of Company securities on the exercise or conversion of Company options, performance rights and performance rights options;
- (vi) the divestment of certain designated exploration assets of the Company if the Company ensures such sale is carried out for the best interests of Shareholders at no less than arm's length terms and at not less than market value;
- (vii) any lending or factoring agreement entered into by the Company in connection with any Research and Development Tax Incentive offset receivable by, or rebateable to, the Company from a government agency of Australia, and any funds received by the Company or payments made by the Company under any such agreement;
- (viii) the acquisition by the Company of up to 100% of the issued capital in TIN International AG and the issue of Company securities in connection with that acquisition; and
- (ix) a bonus issue of partly paid shares in the capital of the Company.

(k) Redemption and Repayment

A Convertible Note must be redeemed on the Maturity Date if the note has not been converted into Shares before the Maturity Date.

The Company will pay to a Noteholder an amount equal to the outstanding principal amount plus accrued but unpaid interest.

The payment will be made in immediately available funds, without deduction, in Australian dollars.

The Company is unable to voluntarily redeem a Convertible Note before the Maturity Date.

(l) Transferability

The Convertible Notes are transferable, subject to the Company's consent and compliance at all times to the Corporations Act and any applicable law and with the prior written consent of the Company.

(m) Events of Default

The Events of Default are set out below.

If an Event of Default occurs and continues unremedied for a period of 5 business days, the Noteholder may declare at any time by notice to the Company that:

- (i) the entire outstanding principal amount, together with accrued interest, and all other amounts accrued or outstanding under the Convertible Note Deed or the Convertible Notes, is either:
 - (A) payable on demand; or
 - (B) immediately due for payment and payable,and the Company must redeem all the Convertible Notes on issue and must pay the Termination Payment to the Noteholder;
- (ii) the Noteholder's obligations specified in the notice are terminated; and
- (iii) the Noteholder may exercise any or all of its rights, remedies, powers or discretions under the Convertible Note Deed.

Termination Payment means an amount equal to 15% of the principal amount of all Convertible Notes which have not been issued under any tranche and for which Shareholder approval has been obtained.

Events of Default

Defined terms below are as used in the Convertible Note Deed.

The following are Events of Default:

- (a) **(ASX)**: the ASX makes a determination that the terms of the Convertible Notes do not comply with the Listing Rules, including, for the avoidance of doubt, Listing Rule 6.1 and Listing Rule 6.12;
- (b) **(shareholder meeting)**: the Company fails to call the general meeting of its shareholders in accordance with the terms of the Convertible Note Deed or to obtain the approval of its shareholders at that meeting;
- (c) **(shareholder approval)**: the Company fails to obtain the further approval of its shareholders for any transaction under the Convertible Note Deed;
- (d) **(failure to issue Shares)**: the Company has not issued any Shares to the Noteholder within 5 Business Days of receipt of a Conversion Notice or the date of exercise of the Equity Payment Option;
- (e) **(payment)**: the Company fails to pay any cash amount due under the Convertible Note Deed within 5 Business Days after its due date;

- (f) (**performance default**): failure by the Company to perform any other material obligation, covenant or undertaking under the Convertible Note Deed, excluding payment default, and, in relation to any rectifiable failure, within 14 days following notice by the Noteholder requiring rectification;
- (g) (**Company Warranties**): the Company is in material breach of any of the Company Warranties;
- (h) (**Market Capitalisation**) the Market Capitalisation of the Company, as calculated by the Noteholder, falls below \$30,000,000;
- (i) (**filings**) the Company fails to file any annual or quarterly reports required by law or the Listing Rules;
- (j) (**compliance**) the Company fails to comply with any of the Listing Rules;
- (k) (**Subsidiaries**): an entity that is a subsidiary of the Company at the date of the Convertible Note Deed ceases to be a subsidiary of the Company;
- (l) (**merger**): the Company consolidates with, merges or amalgamates into or transfers all or substantially all of its assets to any person (the consummation of any such event, a 'Merger'), unless:
 - (A) the entity formed by such Merger or the person that acquired such properties and assets expressly assumes, by a supplemental agreement, all obligations of the Company under the Convertible Note Deed and the performance of every covenant and agreement applicable to it contained therein;
 - (B) immediately after giving effect to any such Merger, no Event of Default is continuing unremedied or would result from the Merger; and
 - (C) the entity formed by such Merger, or the person that acquired such properties and assets, expressly agrees, among other things, to indemnify the Noteholder against any Tax payable by withholding or deduction imposed on the Noteholder solely as a consequence of such Merger with respect to the payment of principal, premium and interest on the Convertible Notes;
- (m) (**insolvency**): an insolvency event occurs in relation to the Company;
- (n) (**cross default**): any indebtedness of the Company or any of its subsidiaries is not paid when due (or within any applicable grace period) or is or becomes due and payable prior to its stated maturity date for any reason;
- (o) (**attachment**): a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any part of the property, assets or revenues of the Company or any of its subsidiaries;
- (p) (**enforcement**): a mortgagee, chargee or other encumbrancer takes possession of, exercises rights under any security in relation to, or a receiver, receiver and manager, administrator, liquidator, provisional liquidator or officer of the Court is appointed in relation to, the whole or any substantial part of the property, assets or revenues of the Company or any of its subsidiaries (as the case may be);
- (q) (**Authorisations**): any authorisation, approval or consent (including any governmental, regulatory or corporate approval or consent) required for the issue redemption or conversion of the Convertible Notes (**Authorisation**) is not obtained or is suspended,

terminated, revoked, withdrawn or expires , modified, restricted or otherwise fails to remain in full force and effect (in whole or in part) in any way unacceptable to the Noteholder;

- (r) (**winding up**): an order is made or an effective resolution passed for the winding- up or dissolution, judicial management or administration of the Company or any of its subsidiaries, or the Company or any of its subsidiaries ceases or threatens to cease to carry on all or substantially all of its business or operations;
- (s) (**unlawful**): it is or becomes unlawful for:
 - (A) the Company to perform or comply with any one or more of its obligations under any of the Convertible Notes or the Convertible Note Deed;
 - (B) the Noteholder to convert any Convertible Notes or hold any Shares, other than because of the operation of the terms of the Convertible Note Deed; or
 - (C) the Company or any of its subsidiaries to carry on all or substantially all of its business or operations;
- (t) (**disposal**): the Company or any of subsidiaries transfers or otherwise disposes of all or substantially all of its assets to any person;
- (u) (**expropriation**): any governmental agency:
 - (A) condemns, nationalises, seizes, compulsorily acquires or otherwise expropriates any material assets of any of the Company, any of its Subsidiaries or Projects;
 - (B) nationalises, seizes, compulsorily acquires or otherwise expropriates all or any part of the share capital of any of the Company or any of its Subsidiaries;
 - (C) assumes custody or control of all or any part of the material assets or business operation of any of the Company, any of its Subsidiaries or Projects; or
 - (D) takes any action that would result in the dissolution or disestablishment of any of the Company, any of its Subsidiaries;
 - (E) otherwise takes any other action which:
 - prevents the Company or any of its subsidiaries or their respective management from conducting all or a substantial part of its business or operations;
 - deprives the Company or any of its subsidiaries of the use of any material asset;
- (v) (**business activity**): all or any material part of the Company's business activity or Projects is abandoned, is placed on care and maintenance or is subject to an unscheduled stoppage for more than 60 consecutive days;
- (w) (**Project**): all or any material part of any Project is abandoned, is placed on care and maintenance or is subject to an unscheduled stoppage for more than 60 consecutive days;
- (x) (**audit**): a material qualification to its audit opinion is made by any auditor appointed by the Company or any of its subsidiaries to audit its financial statements;

- (bb) **(non-Listing)**: the Shares cease to be listed on the ASX or, except as agreed otherwise with the Noteholder, are suspended from trading for more than 5 trading days;
- (cc) **(Material Adverse Change)**: a Material Adverse Change occurs or is reasonably likely to occur in relation to or affects the Company;
- (dd) **(Change of Control)**: a Change of Control of the Company occurs, is agreed or is reasonably likely to occur; and
- (ee) **(restrictions)**: the Company breaches any of its restrictions under the terms of the Convertible Note Deed.

ANNEXURE B – FACILITY OPTION TERMS

- (a) Subject to paragraph (g), each Facility Option entitles the holder to one fully paid ordinary share (**Share**) in the capital of the Company.
- (b) The Facility Options may be exercised at any time prior to 5.00pm (Australian WST) on the date that is 36 months from the issue date.
- (c) Subject to paragraph (h), the exercise price of the Facility Options is 130% of the lower of the average VWAP of the Shares for the 20 consecutive trading days prior to (a) the issue date of the Facility Options or (b) the date of the issue notice given for the relevant tranche of Facility Options (**Exercise Price**).
- (d) To exercise the Facility Options, the Facility Option holder must duly complete, execute and deliver to the Company an exercise notice (**Notice of Exercise**). Facility Options may be exercised by the Facility Option holder in whole or in part by completing the Notice of Exercise and forwarding the same to the Secretary of the Company to be received prior to the expiry date. The Notice of Exercise must, among other things, state the number of Facility Options exercised and the consequent number of Shares to be issued. The Notice of Exercise by an Facility Option holder must be accompanied by payment in full for the relevant number of Shares being subscribed, being an amount of the exercise price per Share.
- (e) All Shares issued upon the exercise of the Facility Options will rank equally in all respects with the Company's then issued Shares.
- (f) There are no participating rights or entitlements inherent in the Facility Options and the holders will not be entitled to participate in new issues or pro-rata issues of capital to Shareholders during the term of the Facility Options. The Facility Option holder has no rights to a change in the exercise price of the Facility Option or a change to the number of underlying securities over which the Option can be exercised other than in relation to a Bonus Issue.
- (g) If there is a bonus issue (**Bonus Issue**) to Shareholders, the number of Shares over which a Facility Option is exercisable will be increased by the number of Shares which the holder would have received if the Facility Option had been exercised before the record date for the Bonus Issue (**Bonus Shares**). The Bonus Shares must be paid up by the Company out of profits or reserves (as the case may be) in the same manner as was applied in the Bonus Issue, and upon issue will rank equally in all respects with the other Shares on issue as at the date of issue of the Bonus Shares.
- (h) In the event of any reconstruction (including consolidation, subdivision, reduction or return) of the issued capital of the Company, all rights of the Facility Option holder shall be reconstructed (as appropriate) in accordance with the ASX Listing Rules.
- (i) The Facility Options are transferable, subject at all times to any transfer restrictions imposed by ASX or under applicable securities laws, including the *Corporations Act 2001* (Cth) (**Act**).
- (j) The Facility Options will not be listed.
- (k) The Company will, within 7 days of the exercise of the Facility Options, apply for official quotation by the ASX of all Shares issued upon the exercise of the Facility Options. If required, the Company will give ASX a notice that complies with Section 708A(5)(e) of the Act, or, if the Company is unable to issue such a notice, lodge a prospectus prepared in accordance with the Act and do all such things necessary to satisfy Section 708A(11) of the Act to ensure that an offer for sale of the Shares does not require disclosure to Noteholder.
- (l) The Facility Options may not be exercised by or on behalf of a person in the United States unless the Facility Options and the underlying Shares have been registered under the United State Securities Act of 1933, as amended, and applicable state securities laws, or exemptions from such registration requirements are available.

ANNEXURE C – SUMMARY OF THE TERMS AND CONDITIONS OF THE LITHIUM AUSTRALIA NL SECURITIES INCENTIVE PLAN

The Lithium Australia NL Securities Incentive Plan (**Plan**) is being considered for approval by Shareholders at the General Meeting. The full terms of the Plan may be inspected at the registered office of the Company during normal business hours. A summary of the terms of the Plan is set out below:

- (a) **(Eligible Participant):** Eligible Participant means a person that:
- (i) is an "eligible participant" (as that term is defined in ASIC Class Order 14/1000) in relation to the Company or an Associated Body Corporate (as that term is defined in ASIC Class Order 14/1000); and
 - (ii) has been determined by the Board to be eligible to participate in the Plan from time to time.
- (b) **(Purpose):** The purpose of the Plan is to:
- (i) assist in the reward, retention and motivation of Eligible Participants;
 - (ii) establish a method by which Eligible Participants can participate in the future growth and profitability of the Company;
 - (iii) link the reward of Eligible Participants to Shareholder value creation;
 - (iii) align the interests of Eligible Participants with shareholders of the Group (being the Company and each of its Associated Bodies Corporate), by providing an opportunity to Eligible Participants to receive an equity interest in the Company in the form of Securities; and
 - (iv) attract and retain a high standard of managerial and technical personnel for the benefit of the Company.
- (c) **(Plan administration):** The Plan will be administered by the Board. The Board may exercise any power or discretion conferred on it by the Plan rules in its sole and absolute discretion. The Board may delegate its powers and discretion.
- (d) **(Eligibility, invitation and application):** The Board may from time to time determine that an Eligible Participant may participate in the Plan and make an invitation to that Eligible Participant to apply for Securities on such terms and conditions as the Board decides.
- On receipt of an Invitation, an Eligible Participant may apply for the Securities the subject of the invitation by sending a completed application form to the Company.
- The Board may accept an application from an Eligible Participant in whole or in part.
- If an Eligible Participant is permitted in the invitation, the Eligible Participant may, by notice in writing to the Board, nominate a party in whose favour the Eligible Participant wishes to renounce the invitation.
- (e) **(Grant of Securities):** The Company will, to the extent that it has accepted a duly completed application, grant the Participant the relevant number of Securities subject to the terms and conditions set out in the invitation, the Plan rules and any ancillary documentation required.
- (f) **(Terms of Convertible Securities):** Each 'Convertible Security' represents a right to acquire one or more Shares (for example, under an option or performance right), subject to the terms and conditions of the Plan.

Prior to a Convertible Security being exercised a Participant does not have any interest (legal, equitable or otherwise) in any Share the subject of the Convertible Security by virtue of holding the Convertible Security. A Participant may not sell, assign, transfer, grant a security interest over or otherwise deal with a Convertible Security that has been granted to them. A Participant must not enter into any arrangement for the purpose of hedging their economic exposure to a Convertible Security that has been granted to them.

(g) **(Vesting of Convertible Securities):** Any vesting conditions applicable to the grant of Convertible Securities will be described in the invitation. If all the vesting conditions are satisfied and/or otherwise waived by the Board, a vesting notice will be sent to the Participant by the Company informing them that the relevant Convertible Securities have vested. Unless and until the vesting notice is issued by the Company, the Convertible Securities will not be considered to have vested. For the avoidance of doubt, if the vesting conditions relevant to a Convertible Security are not satisfied and/or otherwise waived by the Board, that Convertible Security will lapse.

(h) **(Exercise of Convertible Securities and cashless exercise):** To exercise a Convertible Security, the Participant must deliver a signed notice of exercise and, subject to a cashless exercise of Convertible Securities (see below), pay the exercise price (if any) to or as directed by the Company, at any time prior to the earlier of any date specified in the vesting notice and the expiry date as set out in the invitation. More than one signed Notice of Exercise can be delivered by a Participant in relation to a holding of Convertible Securities from the date of a Vesting Notice until the earlier of any date specified in the vesting notice and the expiry date as set out in the invitation.

An invitation may specify that at the time of exercise of the Convertible Securities, the Participant may elect not to be required to provide payment of the exercise price for the number of Convertible Securities specified in a notice of exercise, but that on exercise of those Convertible Securities the Company will transfer or issue to the Participant that number of Shares equal in value to the positive difference between the Market Value of the Shares at the time of exercise and the exercise price that would otherwise be payable to exercise those Convertible Securities.

Market Value means, at any given date, the volume weighted average price per Share traded on the ASX over the 5 trading days immediately preceding that given date, unless otherwise specified in an invitation. A Convertible Security may not be exercised unless and until that Convertible Security has vested in accordance with the Plan rules, or such earlier date as set out in the Plan rules.

(i) **(Delivery of Shares on exercise of Convertible Securities):** As soon as practicable after the valid exercise of a Convertible Security by a Participant, the Company will issue or cause to be transferred to that Participant the number of Shares to which the Participant is entitled under the Plan rules and issue a substitute certificate for any remaining unexercised Convertible Securities held by that Participant.

(j) **(Forfeiture or non forfeiture of Convertible Securities):** Where a Participant who holds Convertible Securities ceases to be an Eligible Participant, all unvested Convertible Securities will automatically be forfeited by the Participant, unless the Board otherwise determines in its discretion to permit some or all of the Convertible Securities to vest or remain non forfeited.

Where the Board determines that a Participant has acted fraudulently or dishonestly, or wilfully breached his or her duties to the Group, the Board may in its discretion deem all unvested Convertible Securities held by that Participant to have been forfeited.

Unless the Board otherwise determines, or as otherwise set out in the Plan rules:

- (i) any Convertible Securities which have not yet vested will be forfeited immediately on the date that the Board determines (acting reasonably and in good faith) that any applicable vesting conditions have not been met or cannot be met by the relevant date; and
- (ii) any Convertible Securities which have not yet vested will be automatically forfeited on the expiry date specified in the invitation.

Good Leaver Where an Eligible Participant (who, or whose nominated party, holds Convertible Securities) becomes a Good Leaver, unless the Board determines otherwise vested Convertible Securities that have not been exercised will continue in force and remain exercisable until the Expiry Date and unvested Convertible Securities will be forfeited unless the Board determines otherwise. A Good Leaver means an Eligible Participant (who, or whose nominated party, holds Convertible Securities) who ceases employment, office or engagement with any Group Company ceases and who is not a Bad Leaver, and includes where an Eligible Participant's employment, office or engagement ceases due to death, permanent incapacity, mental incapacity, redundancy, resignation, retirement or any other reason the Board decides.

A **Bad Leaver** Unless the Board determines otherwise, where an Eligible Participant (who, or whose nominated party, holds Convertible Securities) becomes a Bad Leaver unvested Convertible Securities will be forfeited and vested Convertible Securities that have not been exercised will be forfeited on the date of the cessation of employment or office of such Participant in accordance with clause 10. A Bad Leaver means an Eligible Participant (who, or whose nominated party, holds Convertible Securities) whose employment, office or engagement with a Group Company ceases in any of the following circumstances: (i) the Eligible Participant's employment or engagement is terminated, or the Eligible Participant is dismissed from office, due to serious and wilful misconduct; a material breach of the terms of any contract of employment, engagement or office entered into by a Group Company and the Eligible Participant; gross negligence; or any other conduct justifying termination of employment, engagement or office without notice either under the Eligible Participant's contract of employment or engagement or office, or at common law; (ii) the Eligible Participant ceases his or her employment or engagement or office for any reason, and breaches a post-termination restriction contained in the Eligible Participant's employment contract; or (iii) the Eligible Participant becomes ineligible to hold his or her office for the purposes of Part 2D.6 (disqualification from managing corporations) of the Corporations Act.

Discretion The Board may decide (on any conditions which it thinks fit) that some or all of the Participant's Convertible Securities will not be forfeited at that time, but will be forfeited at the time and subject to the conditions it may specify by written notice to the Participant.

(k) **(Change of control):** If a change of control event occurs in relation to the Company, or the Board determines that such an event is likely to occur, the Board may in its discretion determine the manner in which any or all of the Participant's Convertible Securities will be dealt with, including, without limitation, in a manner that allows the Participant to participate in and/or benefit from any transaction arising from or in connection with the change of control event.

(l) **(Rights attaching to Plan Shares):** All Shares issued under the Plan, or issued or transferred to a Participant upon the valid exercise of a Convertible Security, **(Plan Shares)** will rank pari passu in all respects with the Shares of the same class. A Participant will be entitled to any dividends declared and distributed by the Company on the Plan Shares and may participate in any dividend reinvestment plan operated by the Company in respect of Plan Shares. A Participant may exercise any voting rights attaching to Plan Shares.

(m) **(Disposal restrictions on Plan Shares):** If the invitation provides that any Plan Shares are subject to any restrictions as to the disposal or other dealing by a Participant for a period, the Board may implement any procedure it deems appropriate to ensure the compliance by the Participant with this restriction.

For so long as a Plan Share is subject to any disposal restrictions under the Plan, the Participant will not:

(i) transfer, encumber or otherwise dispose of, or have a security interest granted over that Plan Share; or

(ii) take any action or permit another person to take any action to remove or circumvent the disposal restrictions without the express written consent of the Company.

(n) **(Adjustment of Convertible Securities):** If there is a reorganisation of the issued share capital of the Company (including any subdivision, consolidation, reduction, return or cancellation of such issued capital of the Company), the rights of each Participant holding Convertible Securities will be changed to the extent necessary to comply with the Listing Rules applicable to a reorganisation of capital at the time of the reorganisation.

If Shares are issued by the Company by way of bonus issue (other than an issue in lieu of dividends or by way of dividend reinvestment), the holder of Convertible Securities is entitled, upon exercise of the Convertible Securities, to receive an allotment of as many additional Shares as would have been issued to the holder if the holder held Shares equal in number to the Shares in respect of which the Convertible Securities are exercised.

Unless otherwise determined by the Board, a holder of Convertible Securities does not have the right to participate in a pro rata issue of Shares made by the Company or sell renounceable rights.

(o) **(Participation in new issues):** There are no participation rights or entitlements inherent in the Convertible Securities and holders are not entitled to participate in any new issue of Shares of the Company during the currency of the Convertible Securities without exercising the Convertible Securities.

(p) **(Amendment of Plan):** Subject to the following paragraph, the Board may at any time amend any provisions of the Plan rules, including (without limitation) the terms and conditions upon which any Securities have been granted under the Plan and determine that any amendments to the Plan rules be given retrospective effect, immediate effect or future effect.

No amendment to any provision of the Plan rules may be made if the amendment materially reduces the rights of any Participant as they existed before the date of the amendment, other than an amendment introduced primarily for the purpose of complying with legislation or to correct manifest error or mistake, amongst other things, or is agreed to in writing by all Participants.

(q) **(Plan duration):** The Plan continues in operation until the Board decides to end it. The Board may from time to time suspend the operation of the Plan for a fixed period or indefinitely, and may end any suspension. If the Plan is terminated or suspended for any reason, that termination or suspension must not prejudice the accrued rights of the Participants.

If a Participant and the Company (acting by the Board) agree in writing that some or all of the Securities granted to that Participant are to be cancelled on a specified date or on the occurrence of a particular event, then those Securities may be cancelled in the manner agreed between the Company and the Participant.

ANNEXURE D – VALUATION OF PERFORMANCE RIGHTS

Valuation

The initial undiscounted value of the Performance Rights (PR) 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 13 March 2018 has been calculated in accordance with the principles of AASB 2 and based on certain assumptions and has been determined to average \$0.05 per Performance Right and \$359,550 in aggregate. A probability was applied to each hurdle as described below.

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 and then discounted based on the probability.

The \$0.05 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 7,200,000 Performance Rights would be \$359,550.

The Company has valued the Performance Rights using the Black-Scholes Option Pricing Model (BSModel). As there is no exercise price and no near-term expectation of dividends, the value of a Performance Right determined using the BS Model is equivalent to the value of a Share. This is irrespective of the volatility and risk-free rate adopted in the valuation. Due to the nature of the vesting conditions and the early stage nature of the company it is possible that the vesting conditions will not be met and thus no Performance Rights will vest. Therefore the expense attributable to the Performance Rights and the value received by [employees and Directors] from them could range between nil and \$0.05 per Performance Right granted. This valuation is not automatically the valuation for taxation purposes.

The Calculation of the valuation of the Performance Rights for each director is tabulated below and the reason for the application of the probability to each hurdle is also listed.

Director	PR Hurdle 1	PR Hurdle 2	PR Hurdle 3	PR Hurdle 4	PR Hurdle 5	Total PR
George Bauk	200,000	200,000	200,000	500,000	500,000	1,600,000
Adrian Griffin	500,000	500,000	500,000	1,250,000	1,250,000	4,000,000
Bryan Dixon	200,000	200,000	200,000	500,000	500,000	1,600,000
Total Performance Rights	900,000	900,000	900,000	2,250,000	2,250,000	7,200,000
Market Price at date of Notice	\$0.17	\$0.17	\$0.17	\$0.17	\$0.17	0.050
Probability of hurdle	70%	50%	40%	20%	10%	
Value of Rights	\$107,100	\$76,500	\$61,200	\$76,500	\$38,250	\$359,550

Explanation of Hurdles

Hurdle 1 – A probability of 70% was applied as the Board believes that Successful pilot plant recommissioning of Very Small Particle Company Ltd based at Wacol, Brisbane, Queensland (now owned 99.7% by the Company) for production of cathode material (**Plant**) is more likely than not to occur due to the due diligence investigations undertaken as part of the acquisition.

Hurdle 2 – A probability of 50% was applied as the Board believes that Product quality specifications produced by the Plant will be equal to or greater than industry accepted reference standards based on the material already tested, but it depends on the successful recommissioning as listed in Hurdle 1 above. The moderation of the probability is based on the degree of difficulty involved in the implementation of new technology and the fact that the standard required has an ever increasing benchmark due to the continued improvements made by competitors in the industry. On this basis, the hurdle set remains very high, not only at a company level, but on an absolute basis within the industry.

Hurdle 3 – A probability of 40% was applied as the Board believes that the delivery of a Pre Feasibility Study supporting a decision to proceed to a Definitive Feasibility Study for the construction of a commercial scale plant to produce cathode material (**Commercial Plant**) is dependent on both the achievement of Hurdles 1 and 2. To a large extent, this hurdle not only encompasses the achievements of Hurdle 1 and Hurdle 2, but builds upon them by incorporating the elements of both of those hurdles into a commercial case, and decision to advance the project beyond the Pre Feasibility decision gate.

Hurdle 4 – A probability of 20% was applied as the Board believes that the delivery of a Definitive Feasibility Study for the construction of a Commercial Plant to produce cathode material which supports an investment decision to proceed to construction is dependent on both the achievement of Hurdles 1, 2 and 3. On the proviso that the prior hurdles are met, additional market forces, including the development of competing technologies, commodity prices, interest rates, exchange rates, access to capital, and other factors, will contribute towards the probability of reaching this hurdle. Implementation of appropriate risk mitigation as well as technical excellence and market leadership will be required to achieve Hurdle 4.

Hurdle 5 – A probability of 10% was applied as the Board believes that commencement of construction of a Commercial Plant is dependent on all of the previous factors and associated hurdles being met. Considerable time is required to meet this hurdle and the ability to fund the undertaking at the time of making the financial investment decision remains a critical factor as do market conditions. The commitment to construction will incorporate a significant level of financial achievement including appropriate funding, off-take agreements and an assurance that statutory requirements, including environmental permitting, can be met in an appropriate time frame.

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«NAME1» **Sample 1**
«NAME2» **Sample 2**
«NAME3» **Sample 3**
«NAME4» **Sample 4**
«NAME5» **Sample 5**
«NAME6» **Sample 6**

2018 GENERAL MEETING - VOTING/PROXY FORM

I/We being shareholder(s) of **Lithium Australia NL** and entitled to attend and vote hereby:

STEP 1

APPOINT A PROXY

The Chairman of
the meeting

OR



PLEASE NOTE: If you leave the section blank, the Chairman of the Meeting will be your proxy.

or failing the individual(s) or body corporate(s) named, or if no individual(s) or body corporate(s) are named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf, including to vote in accordance with the following directions (or, if no directions have been given, and to the extent permitted by law, as the proxy sees fit), at the General Meeting of the Company to be held **at Level 1, 675 Murray Street, Perth WA on Monday, 30 April 2018 at 10am WST** and at any adjournment or postponement of that Meeting.

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.

STEP 2

VOTING DIRECTIONS

Agenda Items

	For	Against	Abstain*
1 Ratification of prior issue of Convertible Notes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Approval for the issue of Facility Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Approval for the issue of Convertible Notes and Facility Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Ratification of prior issue of 15,000,000 Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5A Ratification of prior issue of 3,526,825 Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5B Ratification of prior issue of 11,473,175 Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6 Ratification of prior issue of 3,250,000 Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7 Ratification of prior issue of 606,874 Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8 Approval of issue of 1,500,000 Shares & 5,000,000 LITCE Partly Paid Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9 Approval of Lithium Australia NL Securities Incentive Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10 Approval of the issue of Performance Rights to Adrian Griffin	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11 Approval of the issue of Performance Rights to Bryan Dixon	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12 Approval of the issue of Performance Rights to George Bauk	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13 Approval of Potential Termination Benefits	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



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

STEP 3

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Joint Shareholder 2 (Individual)

Joint Shareholder 3 (Individual)

Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

This form should be signed by the shareholder. If a joint holding, all the shareholder should sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the Corporations Act 2001 (Cth).

Email Address

Please tick here to agree to receive communications sent by the company via email. This may include meeting notifications, dividend remittance, and selected announcements.

HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

**IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE MEETING, PLEASE BRING THIS FORM WITH YOU.
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**

CHANGE OF ADDRESS

This form shows your address as it appears on Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes.

APPOINTMENT OF A PROXY

If you wish to appoint the Chairman as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman, please write that person's name in the box in Step 1. A proxy need not be a shareholder of the Company. A proxy may be an individual or a body corporate.

DEFAULT TO THE CHAIRMAN OF THE MEETING

If you leave Step 1 blank, or if your appointed proxy does not attend the Meeting, then the proxy appointment will automatically default to the Chairman of the Meeting.

VOTING DIRECTIONS – PROXY APPOINTMENT

You may direct your proxy on how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as they choose to the extent they are permitted by law. If you mark more than one box on an item, your vote on that item will be invalid.

PLEASE NOTE: If you appoint the Chairman as your proxy (or if he is appointed by default) but do not direct him how to vote on an item (that is, you do not complete any of the boxes "For", "Against" or "Abstain" opposite that item), the Chairman may vote as he sees fit on that item.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning Advanced Share Registry Limited or you may copy this form and return them both together.

To appoint a second proxy you must:

- (a) On each Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- (b) Return both forms together.

CORPORATE REPRESENTATIVES

If a representative of a nominated corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A Corporate Representative Form may be obtained from Advanced Share Registry.

SIGNING INSTRUCTIONS ON THE PROXY FORM

Individual:

Where the holding is in one name, the security holder must sign.

Joint Holding:

Where the holding is in more than one name, all of the security holders should sign.

Power of Attorney:

If you have not already lodged the Power of Attorney with Advanced Share Registry, please attach the original or a certified photocopy of the Power of Attorney to this form when you return it.

Companies:

Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held.

LODGE YOUR VOTE

This Proxy Form (and any power of attorney under which it is signed) must be received at an address given below by **10am WST on 28 April 2018**, being not later than 48 hours before the commencement of the Meeting. Proxy Forms received after that time will not be valid for the scheduled meeting.



ONLINE VOTE

www.advancedshare.com.au/investor-login



BY MAIL

Advanced Share Registry Limited
110 Stirling Hwy, Nedlands WA 6009; or
PO Box 1156, Nedlands WA 6909



BY FAX

+61 8 9262 3723



BY EMAIL

admin@advancedshare.com.au



IN PERSON

Advanced Share Registry Limited
110 Stirling Hwy, Nedlands WA 6009; or



ALL ENQUIRIES TO

Telephone: +61 8 9389 8033