

LITHIUM AUSTRALIA NL
ACN 126 129 413

BONUS ISSUE
PROSPECTUS

For a bonus issue of approximately 111,672,727 New Partly Paid Shares (Bonus Share) to Shareholders, on the basis of one (1) New Partly Paid Share for every two (2) Shares held at the Record Date at an issue price of \$0.25 per New Partly Paid Share, with each New Partly Paid Share deemed to be paid up to \$0.0001 and unpaid to \$0.2499.

IMPORTANT INFORMATION

This is an important document and should be read in its entirety. If after reading this Prospectus you have any questions about the securities being offered under this Prospectus or any other matter relating to the Company, you should consult your professional advisers.

THE NEW PARTLY PAID SHARES OFFERED BY THIS PROSPECTUS SHOULD BE CONSIDERED AS SPECULATIVE.

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TABLE OF CONTENTS

| | | |
|-----|--|----|
| 1. | CORPORATE DIRECTORY..... | 3 |
| 2. | INVESTMENT OVERVIEW | 4 |
| 3. | TIMETABLE AND IMPORTANT DATES..... | 8 |
| 4. | IMPORTANT NOTES | 9 |
| 5. | DETAILS OF THE OFFER | 14 |
| 6. | PURPOSE AND EFFECT OF THE OFFER..... | 16 |
| 7. | RIGHTS AND LIABILITIES ATTACHING TO NEW PARTLY PAID SHARES | 19 |
| 8. | RISK FACTORS..... | 22 |
| 9. | ADDITIONAL INFORMATION..... | 27 |
| 10. | GLOSSARY | 35 |
| 11. | DIRECTORS' STATEMENT AND AUTHORISATION..... | 37 |

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1. CORPORATE DIRECTORY

Directors

Mr George Bauk
Non-Executive Chairman

Mr Adrian Griffin
Managing Director

Mr Bryan Dixon
Non-Executive Director

Solicitors

Cardinals
Lawyers and Consultants
60 Havelock Street
WEST PERTH WA 6005

Company Secretary

Mr Barry Woodhouse

Auditor*

Bentleys
Level 1
12 Kings Park Road
WEST PERTH WA 6005

Registered Office & Contact Details

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Share Registry*

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NEDLANDS WA 6009
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ASX Codes

LIT
LITCC

*The names of these entities are included for information purposes only. They have not been involved in the preparation or issue of this Prospectus and have not consented to being named in this Prospectus.

2. INVESTMENT OVERVIEW

| Question | Response | Where to find information |
|--|---|---------------------------|
| What is the Offer? | <p>The Company is offering to issue New Partly Paid Shares to Shareholders by a pro rata bonus offer.</p> <p>Under the Offer, Shareholders will be entitled to receive one (1) New Partly Paid Share for every two (2) Shares held on the Record Date.</p> | Section 5.1 |
| Are the Bonus Shares free to Shareholders? | Yes, the Offer is a bonus offer and as such the New Partly Paid Shares are offered free to Shareholders. | Section 5.1 |
| Who is an eligible Shareholder? | All Shareholders at the Record Date are eligible Shareholders | Section 5.5 |
| Are Shareholders required to do anything? | No, Shareholders eligible to participate in the Offer are not required to take any action to be issued with New Partly Paid Shares under the Offer. Holding statements for the New Partly Paid Shares will be despatched to Shareholders. | Section 5.2 |
| Will the Bonus Shares be quoted on ASX? | No application for Quotation of the New Partly Paid Shares will be made. After such time as the LITCC Partly Paid Share series has all been fully called, or fully paid up (currently expected to occur by November 2016), the Company may seek to list another series of partly paid shares on the ASX. In that future event the Company may assess whether or not to apply for Quotation of the New Partly Paid Shares, subject to the Listing Rules. | Section 5.7 |

| | | |
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| <p>How many Bonus Shares will be issued?</p> | <p>At the date of this Prospectus the maximum number of New Partly Paid Shares that will be issued under the Offer is 111,672,727 New Partly Paid Shares.</p> <p>Where the holders of LITCC Partly Paid Shares who are eligible to participate in the Offer pay the balance of their LITCC Partly Paid Shares in full and convert their LITCC Partly Paid Shares to Shares before the Record Date, they will be entitled to receive New Partly Paid Shares under the Offer. This will increase the maximum number of New Partly Paid Shares that may be issued under the Offer.</p> <p>Where Option holders who are eligible to participate in the Offer exercise their Options before the Record Date, they will be entitled to participate in the Offer. This will increase the maximum number of New Partly Paid Shares that may be issued under the Offer.</p> | <p>Section 5.1</p> |
| <p>Will I be liable for calls made on the Bonus Shares?</p> | <p>As the Company is a 'no liability' company, a holder of a New Partly Paid Share is not under any contractual obligation to pay a call in respect of the unpaid amount of a New Partly Paid Share. However, if a call is not paid, the New Partly Paid Share will be liable to forfeiture and may be sold by the Company via public auction in accordance with the Constitution and the Corporations Act. Please see Section 7.1 for full terms of the New Partly Paid Shares.</p> | <p>Sections 5.1 and 7.1</p> |
| <p>What is the amount that will be raised under the Offer?</p> | <p>No funds will be raised under the Offer. The Company will receive funds of up to \$27,907,014 upon the New Partly Paid Shares being fully paid up in their entirety.</p> | <p>Section 5.1</p> |
| <p>What is the purpose of the Offer?</p> | <p>The purpose of the Offer is to reward Shareholders for their loyalty, to provide Shareholders with an opportunity to participate in the continued growth of the Company and to provide the Company with an alternate source of funding into the future.</p> | <p>Section 6.1</p> |

| | | |
|--|--|---------------------------|
| <p>What are the key risks of a further investment in the Company?</p> | <p>The New Partly Paid Shares offered under this Prospectus are considered highly speculative. You should carefully consider the risk factors set out in this Prospectus, the information contained in other sections of this Prospectus, and all other public announcements and reports of the Company. For further information on specific risks relevant to the Company please refer to Section 4.2 and Section 8. These risks include:</p> <ul style="list-style-type: none"> • There is a risk that the lithium extraction technology being developed by the Company may not be successful and/or that it may not be able to be commercially exploited, and/or that the technology may not be adequately protected, or protected at all, under the relevant intellectual property laws to prevent its use by other parties. • The Company's projects are early stage exploration tenements with significant exploration risk. • The Company's future capital needs and additional funding may be required to complete the proposed exploration and development programme. • As an emerging developer with no production or income, the Company is exposed to general market and economic condition risks. | <p>Sections 4.2 and 8</p> |
| <p>What is the effect of the Offer on the Company's share capital and cash reserves?</p> | <p>The effect of the Offer on the Company's share capital and cash reserves is to:</p> <ul style="list-style-type: none"> • Increase the number of Partly Paid Shares on issue. • Decrease cash reserves by up to approximately \$13,000, being the estimated costs of the Offer. | <p>Section 6.2</p> |
| <p>What is the effect of the Offer on control of the Company?</p> | <p>The Offer is not expected to have any impact on the control of the Company.</p> | <p>Section 6.5</p> |

| | | |
|---|---|-------------|
| Can I sell my entitlement to a Bonus Share? | No. Your entitlement to a Bonus Share is not transferable and there will be no trading of rights on ASX. | Section 5.1 |
| How can I obtain further advice? | Contact the Company Secretary on +61 6145 0288 at any time during business hours (WST) until the Closing Date. Alternatively, consult with your broker or other professional adviser. | Section 5.8 |

3. TIMETABLE AND IMPORTANT DATES

Indicative timetable for Offer

| | |
|--|---------------|
| Lodgement of Prospectus with ASIC | 1 April 2016 |
| Lodgement of Prospectus and Appendix 3B with ASX | 1 April 2016 |
| Notice sent to Shareholders, LITCC Partly Paid Shareholders and Option holders* | 1 April 2016 |
| Prospectus sent to Shareholders | 8 April 2016 |
| | |
| 'Ex' Date (Date from which Shares commence trading without the entitlement to a Bonus Share and Bonus Shares are quoted on a deferred settlement basis) | 22 April 2016 |
| | |
| Record Date for Bonus Share entitlements (5:00pm WST) | 27 April 2016 |
| | |
| Issue of Bonus Shares and despatch of holding statements and deferred settlement trading of Bonus Shares ends | 11 May 2016 |

* These dates are indicative only and may change without prior notice. As such the date the Bonus Shares will be issued may vary.

4. IMPORTANT NOTES

This Prospectus is dated 1 April 2016 and was lodged with ASIC on that date. ASIC and its officers take no responsibility for the contents of this Prospectus. No person or entity is authorised to give any information or make any representation in connection with the Offer which is not contained in this Prospectus. Any information or representation not contained in this Prospectus must not be relied on as having been authorised by the Company in connection with the Offer or this Prospectus.

No New Partly Paid Shares will be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

No person is authorised to give information or to make any representation in connection with this Prospectus, which is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

It is important that investors read this Prospectus in its entirety and seek professional advice where necessary. The Bonus Shares the subject of this Prospectus should be considered highly speculative.

As this is a bonus issue of New Partly Paid Shares, Shareholders are not required to apply for Bonus Shares.

This Prospectus is a transaction specific prospectus for an offer of continuously quoted securities (as defined in the Corporations Act) and has been prepared in accordance with section 713 of the Corporations Act. It does not contain the same level of disclosure as an initial public offering prospectus. In making representations in this Prospectus, regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

4.1 Shareholders Outside Australia

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. A failure to comply with these restrictions may violate applicable securities laws. This Prospectus does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus. If you are resident a country other than Australia you should consult your professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed. No action has been taken by the Company to register or qualify the New Partly Paid Shares or otherwise permit a public offering of the New Partly Paid Shares the subject of this Prospectus in any jurisdiction outside of Australia.

4.2 Key Risks

The New Partly Paid Shares offered under this Prospectus are considered highly speculative. The Company is an exploration and development company and you should consider that an investment in the Company is speculative.

You should read this Prospectus in its entirety and, in particular, consider the key risk factors set out below and the Risk Factors in Section 8. You are urged to consider those risks carefully and, if necessary, also consult your professional advisers with any questions.

You should also note that the key risks below and the Risk Factors in Section 8 are not an exhaustive list of all risks faced by the Company or by investors in the Company.

Some risks can be mitigated by the use of appropriate safeguards and appropriate systems and controls by the Company, however some are unpredictable and outside the control of the Company and the extent to which they can be mitigated or managed is very limited or not possible.

Set out below are key and specific risks that the Company is exposed to and that may have a direct influence on the Company and its activities or assets, therefore affecting the value of an investment in the Company now and in the future.

Additional Requirements for Capital

The Company's capital requirements depend on numerous factors. Depending on the Company's ability to generate income from its operations, the Company may require further financing in addition to amounts raised upon calls on the New Partly Paid Shares offered under this Prospectus being made. Any additional equity financing will dilute existing shareholdings, and debt financing (if available) may involve restrictions on future financing and operating activities. If the Company is unable to obtain additional financing as needed or unable to obtain it on acceptable terms (whether or not due to the Company's circumstances or economic and share market conditions or both), it may be required to reduce the scope of its operations and scale back its exploration programmes. This could have a material adverse effect on the Company's activities and the value of the Shares.

Title Risk

The mining tenements in which the Company will, or may, in the future, acquire an interest, are subject to the applicable local laws and regulations. There is no guarantee that any mining tenements in which the Company has a current or potential interest will be granted.

Mining tenements (or applications) in which the Company has an interest are (or, if granted, will be) subject to the relevant conditions applying in each jurisdiction. Failure to comply with these conditions may render the mining tenements liable to forfeiture.

All of the projects in which the Company has an interest will be subject to application for renewal from time to time. Renewal of the term of each mining tenement is subject to applicable legislation. If the mining tenement is not renewed for any reason, the Company may suffer significant damage through loss of the opportunity to develop and discover any mineral resources on that mining tenement.

Exploration Risks

The Company's mining tenements are at various stages of exploration however none of the tenements in which the Company has an interest currently contain a JORC Code compliant resource and there is no guarantee that a JORC Code compliant resource will be discovered on any of the Company's tenements.

You should be aware that mineral exploration and development are high risk undertakings due to the high level of inherent uncertainty. There can be no assurance that exploration of the Company's tenements, or of any other tenements that may be acquired by the Company in the future, will result in the discovery of economic mineralisation. Even if economic mineralisation is discovered there is no guarantee that it can be commercially exploited.

The future exploration activities of the Company may be affected by a range of factors including geological conditions, limitations on activities due to seasonal weather patterns, unanticipated operational and technical difficulties, industrial and environmental accidents, native title process, changing government regulations and many other factors beyond the control of the Company.

The success of the Company will also depend on the Company having access to sufficient development capital, being able to maintain title to its projects and obtaining all required approvals for its activities. In the event that exploration programmes prove to be unsuccessful this could lead to a diminution in the value of the Company's projects, a reduction in the cash reserves of the Company and possible relinquishment of part or all of the Company's projects.

Country Risk

The Company is developing a number of projects in foreign jurisdictions. Any future material adverse changes in government policies or legislation in any of those jurisdictions that affect ownership, mineral exploration, development or mining activities, may affect the viability and profitability of the Company.

The legal systems operating in foreign jurisdictions are different to those operating in Australia and this may result in risks such as:

- (a) Different forms of legal redress in the courts whether in respect of a breach of law or regulation, or in ownership dispute.
- (b) A higher degree of discretion on the part of governmental agencies.
- (c) Differences in political and administrative guidance on implementing applicable rules and regulations including, in particular, as regards local taxation and property rights.
- (d) Different attitudes of the judiciary and courts.
- (e) Difficult in enforcing judgments.

The commitment by local business people, government officials and agencies and the judicial system to abide by legal requirements and negotiated agreements may be more uncertain, creating particular concerns with respect to licences and agreements for business. These may be susceptible to revision or cancellation and legal redress may be uncertain or delayed. There can be no assurance that joint ventures, licences, licence applications or other legal arrangements will not be adversely affected by the actions of government authorities or others and the effectiveness and enforcement of such arrangements cannot be assured.

Access Risk - Native Title and Aboriginal Heritage

It is possible that Aboriginal sacred sites found within tenements held by the Company may preclude exploration and mining activities and the Company may also experience delays with respect to obtaining permission from the traditional owners to explore and extract resources. The Company currently has no exploration targets covering sacred sites.

The Company must comply with Aboriginal heritage legislation requirements and access agreements which require heritage survey work to be undertaken ahead of the commencement of mining operations. It is possible that some areas of some of the tenements in which the Company has an interest may not be available for exploration due to Aboriginal heritage issues (whether in respect of registered sites or not). Under Western Australian and Commonwealth legislation the Company may need to obtain the consent of the holders of such interests before commencing activities on affected areas of the tenements. These consents may be delayed or given on conditions which are not satisfactory to the Company.

Reliance on Key Personnel

The responsibility of overseeing the day to day operations of the Company depends on its management and its key personnel. The Company is aware of the need to have sufficient management to properly supervise the exploration and, if exploration is successful, the development of the Company's projects. As the Company's projects and prospects progress and develop the Board will continually monitor the management requirements of the Company and look to employ or engage additional personnel when and where appropriate to ensure proper management of the Company's projects. However there is a risk that the Company may not be able to secure personnel with the relevant experience at the appropriate time which may impact on the Company's ability to complete all of its planned exploration programmes within the expected timetable. Furthermore, you should be aware that no assurance can be given that there will be no adverse effect on the Company if one or more of its existing Directors or management personnel cease their employment or engagement with the Company.

Exploration Costs

The exploration costs of the Company are based on certain assumptions with respect to the method and timing of exploration. By their nature these estimates and assumptions are subject to significant uncertainties and, accordingly, the actual costs may materially differ from these estimates and assumptions. Accordingly no assurance can be given that the cost estimates and the underlying assumptions will be realised in practice, which may materially and adversely affect the Company's operating and financial performance and the value of the New Partly Paid Shares and Shares.

Contractual and Joint Venture Risk

The Company is entitled to the rights in lithium contained in some of the tenements in which it has an interest. The Company is not the registered owner of those tenements and therefore the Company's ability to achieve its objectives in respect of the tenements is dependent upon it and the registered holder of the tenements complying with their obligations under the relevant agreement giving rise to the Company's interest, and on the registered holder complying with the terms and conditions of the tenements and any other applicable legislation. Any failure to comply with these obligations may result in the Company losing its interest in those tenements, which may have a material adverse effect on the Company's operations and the performance and value of the Share. The Company has no current reason to believe that the registered owner of those tenements will not meet and satisfy its obligations under the relevant agreements, the tenement conditions and other applicable legislation.

The Directors are not able to presently assess the risk of financial failure or default by a participant in any joint venture to which the Company is, or may become a party, or the insolvency or other failure by any of the contractors engaged by the Company for any exploration or other activity. Any such failure or default could adversely affect the operations and performance of the Company and the value of the New Partly Paid Shares and the Shares.

Intellectual Property Risk

The Company currently holds a unique position in the lithium industry by virtue of exclusive licensing arrangements for LMax lithium extraction technology. Lepidico Ltd is the licensor. The Company understands Lepidico has protected, or intends to protect the IP by way of patent, but the Company has no evidence of this having been done at the time of lodgement of the Prospectus. The LMax technology, as licensed to the Company is applicable to the recovery of lithium from micas. There is no guarantee that patent protection will be available for the process. There can be no assurance that any third party to the licence agreement will abide by and perform their obligations under any such agreement. There is also a risk that the licences may be terminated in the event of breach.

The Company has made a patent application for extraction technology, the Sileach™ process, which is significantly broader than LMax, and applicable to all lithium bearing silicates, including the micas and spodumene. There is no guarantee the patent will be granted nor does the grant of a patent guarantee that the patent concerned is valid or that the technology (patented or otherwise) does not infringe the rights of others. This patent has been provisionally accepted and will be subject to review in due course, and may not be approved for final acceptance and grant.

The laws relating to intellectual property assist to protect the Company's proprietary rights. However, patent registration, although an indicator of valid intellectual property ownership, is not indefeasible as any errors in the registration process can lead to registration being challenged or revoked. Accordingly the Company cannot be certain that the validity, ownership or authorised use of intellectual property relevant to its business will not be successfully challenged by third parties. In addition, there can be no guarantee that unauthorised use or copying of any of the Company's intellectual property will be prevented.

Further risks associated with an investment in the Company are contained in Section 8.

4.3 Forward Looking Statements

This Prospectus contains forward looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects' or 'intends' and other similar words that involve risks and uncertainties.

These statements relate to intentions and future acts and events. They are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, the Directors and the Company's management, which could cause these future acts, events and circumstances to differ from the way or manner in which they are expressly or implicitly portrayed in this Prospectus. Some of these risk factors are set out in Section 4.2 and Section 8.

The Company does not intend to update or review forward looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

The Company cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward looking statements contained in this Prospectus will actually occur, and potential investors are cautioned not to place undue reliance on these forward looking statements.

4.4 Website

No document or information on the Company's website is incorporated by reference into this Prospectus.

4.5 Definitions

Throughout this Prospectus abbreviations and defined terms are used. Defined terms are generally identifiable by the use of an upper case first letter and the definitions of those terms are contained in the Glossary in Section 10.

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5. DETAILS OF THE OFFER

5.1 The Offer

The Offer is being made as a bonus issue of one (1) New Partly Paid Share for every two (2) Shares held by Shareholders registered at the Record Date, to be issued for nil consideration. The New Partly Paid Shares will be deemed to be paid up to \$0.0001 upon issue. Each New Partly Paid Share has a total issue price of \$0.25 and an initial unpaid amount of \$0.2499. Where the determination of any Shareholder's entitlement to Bonus Shares results in a fraction of a New Partly Paid Share, such fraction will be rounded up to the nearest whole New Partly Paid Share.

Based on the capital structure of the Company at the date of this Prospectus, a maximum of 111,672,727 New Partly Paid Shares will be issued pursuant to the Offer. As at the date of this Prospectus the Company has 28,000,000 Options on issue, all of which may be exercised prior to the Record Date in order to participate in the Offer. Please refer to Section 6.3 for information on the exercise price and expiry date of the Options on issue.

Please refer to Section 7 for further information regarding the rights and liabilities attaching to the New Partly Paid Shares.

The Offer is non-renounceable. Accordingly a Shareholder may not sell or transfer part or all of their entitlement to a Bonus Share.

The purpose of the Offer is set out in Sections 2 and 6.1.

5.2 Actions required by Shareholders

Shareholders are not required to do anything to be issued with New Partly Paid Shares under the Offer. Holding statements for the New Partly Paid Shares will be despatched to Shareholders.

If you have any queries about your entitlement to Bonus Shares, please contact the Company Secretary or your stockbroker or professional adviser.

5.3 Issue of New Partly Paid Shares

New Partly Paid Shares issued under this Prospectus will be issued in accordance with the Listing Rules and the timetable in Section 3. The Company will allot the New Partly Paid Shares on the basis of the entitlement of all Shareholders under the Offer.

Holding statements for New Partly Paid Shares issued under the Offer will be mailed in accordance with the Listing Rules and the timetable set out in Section 3.

5.4 Calls on New Partly Paid Shares

As the Company is a 'no liability' company, a holder of a New Partly Paid Share is not under any contractual obligation to pay a call in respect of the unpaid amount of a New Partly Paid Share. However, if a call is not paid, the New Partly Paid Share will be liable to forfeiture and may be sold by the Company via public auction. Please see Section 7.1 for full terms of the New Partly Paid Shares.

5.5 Eligible Shareholders

The Offer is only open to eligible Shareholders being Shareholders at 5:00pm WST on the Record Date.

5.6 Shareholders Outside Australia

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. A failure to comply with these restrictions may violate those applicable laws. This Prospectus does not, and is not intended to, constitute an offer or

invitation to subscribe in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus. If you are resident a country other than Australia you should consult your professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed. No action has been taken by the Company to register or qualify the New Partly Paid Shares or otherwise permit a public offering of the New Partly Paid Shares the subject of this Prospectus in any jurisdiction outside of Australia. If you are outside Australia it is your responsibility to obtain all necessary approvals for the issue of the New Partly Paid Shares pursuant to this Prospectus.

The New Partly Paid Shares are not being offered or sold to the public within New Zealand other than to existing Shareholders with registered addresses in New Zealand for whom the offer of New Partly Paid Shares is being made in reliance on the Securities Act (Overseas Companies) Exemption Notice 2013 (New Zealand). This Prospectus has not been registered, filed with or approved by any New Zealand regulatory authority under the Securities Act 1978 (New Zealand). This Prospectus is not an investment statement or prospectus under New Zealand law and is not required to, and may not, contain all the information that an investment statement or prospectus is required to contain under New Zealand Law.

5.7 ASX Listing

No application for Quotation of the New Partly Paid Shares will be made. After such time as the LITCC Partly Paid Share series has all been fully called, or fully paid up (currently expected to occur by November 2016), the Company may seek to list another series of partly paid shares. In that future event the Company may assess whether or not to apply for quotation of the New Partly Paid Shares, subject to the Listing Rules.

The ASX takes no responsibility for the contents of this Prospectus. The fact that the ASX may grant Quotation of the New Partly Paid Shares is not to be taken in any way as an indication of the merits of the Company or the New Partly Paid Shares.

5.8 Queries

This Prospectus provides important information and should be read in its entirety. If you have any questions after reading this Prospectus, please contact your stockbroker, financial planner, accountant, lawyer or independent financial adviser. Any questions concerning the Offer should be directed to the Company Secretary, Mr Barry Woodhouse, on +61 8 6145 0288.

6. PURPOSE AND EFFECT OF THE OFFER

6.1 Purpose of the Offer

The purpose of the Offer is to reward Shareholders for their loyalty, to provide Shareholders with an opportunity to participate in the continued growth of the Company and to provide the Company with an alternate source of funding into the future. Please refer to Section 9.6 for further details relating to the estimated expenses of the Offer.

No funds will initially be raised from the issue of the New Partly Paid Shares, however if all of the New Partly Paid Shares are fully called or fully paid up the Company will receive funds of approximately \$27,907,014. The proceeds received from any calls on the New Partly Paid Shares however are intended to be applied towards meeting working capital requirements of the Company at the time of the call, at the discretion of the Board.

6.2 Effect of the Offer

The principal effect of the Offer, assuming all New Partly Paid Shares offered under the Prospectus are issued, will be to increase the number of Partly Paid Shares on issue from 23,568,835 as at the date of this Prospectus up to 135,241,562 following completion of the Offer (assuming no existing Partly Paid Shares are paid up and converted to Shares before the Record Date).

The New Partly Paid Shares issued pursuant to this Prospectus will be issued for no consideration. Except for the payment of the costs of the Offer (estimated to be approximately \$13,000), the Offer will not have any impact on the financial position of the Company.

The Company will receive \$0.2499 for every New Partly Paid Share that becomes fully paid. The likelihood of the Company raising additional capital by making calls on the New Partly Paid Shares will depend on the market price of the Shares from time to time.

6.3 Effect on Capital Structure

The effect of the Offer on the capital structure of the Company, assuming all New Partly Paid Shares under the Offer are issued, is set out below.

Capital Structure on Completion of the Offer

| | Balance at date of Prospectus | To be issued under the Offer | Balance after the Offer |
|--------------------|-------------------------------|------------------------------|-------------------------|
| Shares | 212,076,619 ⁽¹⁾ | Nil | 212,076,619 |
| Partly Paid Shares | 23,568,835 ⁽²⁾ | 111,672,727 | 135,241,562 |
| Options | 28,000,000 ⁽³⁾ | Nil | 28,000,000 |
| Performance Rights | 13,340,000 ⁽⁴⁾ | Nil | 13,340,000 |

(1) Assuming no Partly Paid Shares are fully paid up and converted to Shares prior to the Record Date and no Options are exercised prior to the Record Date.

(2) Details of the Partly Paid Shares are set out below.

(3) The number, terms and expiry dates of the Options are set out below.

(4) The number, terms and conditions of the Performance Rights (being Annexure A Performance Rights and Annexure C Performance Rights) are set out below.

Details of all Options on issue at the date of this Prospectus

| | Number |
|---|-----------|
| Options currently on issue | |
| Unquoted Options exercisable at \$0.10 on or before 1 July 2016 | 2,400,000 |
| Unquoted Options exercisable at \$0.15 on or before 1 July 2019 | 8,200,000 |
| Unquoted Options exercisable at \$0.20 on or before 1 July 2019 | 8,200,000 |
| Unquoted Options exercisable at \$0.30 on or before 1 July 2019 | 9,200,000 |

| | |
|-------------------------------|-------------------|
| Total Options on issue | 28,000,000 |
|-------------------------------|-------------------|

Details of all Partly Paid Shares on issue at the date of this Prospectus

| | Number |
|--|-------------------|
| Partly Paid Shares currently on issue | |
| LITCC Partly Paid Shares | 8,868,835 |
| Unlisted Partly Paid Contributing Shares | 14,700,000 |
| Total Partly Paid Shares | 23,568,835 |

Details of Annexure A Performance Rights

Each Annexure A Performance Right entitles the holder to be issued one Share on the terms outlined in the Company's Notice of Meeting dated 17 June 2015, which includes the vesting conditions and the performance conditions of the Annexure A Performance Rights. The following table identifies each hurdle to be reached for each of the Annexure A Performance Rights along with the total number of Annexure A Performance Rights issued on 15 July 2015.

| Hurdle Description | Number Issued |
|--|----------------------|
| Equitable lithium carbonate equivalent – 1,000,000t | 3,340,000 |
| Equitable lithium carbonate equivalent – 5,000,000t | 3,500,000 |
| Equitable lithium carbonate equivalent – 10,000,000t | 3,500,000 |
| Total | 10,340,000 |

Details of Annexure C Performance Rights

Each Annexure C Performance Right entitles the holder to be issued one Share on the terms outlined in the Company's Notice of Meeting dated 26 October 2015, which includes the vesting conditions and the performance conditions of the Annexure C Performance Rights. The following table identifies each hurdle to be reached for each of the Annexure C Performance Rights along with the total number of Annexure C Performance Rights issued on 30 November 2015.

| Hurdle Type | Hurdle Description | Number Issued |
|--------------------|---|----------------------|
| Long-term | Company Market Capitalisation of \$50,000,000 | 2,000,000 |
| Short-term | Remain Director for a period of 12 months from 30 November 2015 | 1,000,000 |
| | Total | 3,000,000 |

On a fully diluted basis the Company would have 276,985,454 Shares on issue at the date of this Prospectus and 212,076,619 Shares on issue at completion of the Offer assuming all of the New Partly Paid Shares under the Offer are issued and no Options are exercised, and no Partly Paid Shares are paid up and converted to Shares, prior to the Record Date.

None of the Securities are subject to escrow restrictions, either voluntary or imposed by ASX.

6.4 Details of Substantial Holders

Based on information available to the Company as at the date of this Prospectus, the persons who (together with their associates) have a relevant interest in 5% or more of the Shares on issue are set out below:

| Shareholder | Shares | % shareholding before the Offer |
|---------------------|------------|---------------------------------|
| Mr Dennis Bell | 13,720,255 | 6.47% |
| Lanstead Capital LP | 30,000,000 | 14.14% |

As the Offer is a pro rata bonus offer to all Shareholders, the percentage shareholding of the substantial shareholders set out above will not change as a result of the Offer. The New Partly Shares carry the right to vote in the proportion which the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited). The New Partly Paid Shares are deemed to be paid up to \$0.0001 and unpaid to \$0.2499, therefore as at the date of their issue the increase in the voting power of the substantial shareholders above as a result of the issue to them of New Partly Paid Shares will represent an extremely small proportion of the total voting power in the Company.

6.5 Effect of Control on the Company

The Offer is a pro rata bonus issue and therefore is not expected to have any impact on control of the Company. The New Partly Shares carry the right to vote in the proportion which the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited). The New Partly Paid Shares are deemed to be paid up to \$0.0001 and unpaid to \$0.2499, therefore as at the date of their issue their corresponding voting power will represent an extremely small proportion of the total voting power in the Company.

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7. RIGHTS AND LIABILITIES ATTACHING TO NEW PARTLY PAID SHARES

7.1 Rights Attaching to New Partly Paid Shares

The New Partly Paid Shares will rank equally in all respects with fully paid ordinary shares on issue, subject to the following terms and conditions, notwithstanding any differences in the amount that the New Partly Paid Shares are paid up to.

- (a) Each New Partly Paid Share:
- (i) will be allotted and issued at a total issue price of \$0.25 per New Partly Paid Share;
 - (ii) is deemed to be paid up to \$0.0001;
 - (iii) has an initial unpaid amount of \$0.2499;
 - (iv) carries the right to participate in new issues of securities to holders of fully paid Shares (except bonus issues) on the same basis as holders of Shares;
 - (v) carries the right to participate in bonus issues of securities in the proportion which the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited) and, further, each holder of New Partly Paid Shares (**Partly Paid Shareholder**) ,will be notified by the Company of any proposed bonus issue of securities at least 14 days prior to the record date for any such issue;
 - (vi) carries the right to vote in the proportion which the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited); and
 - (vii) carries the right to participate in dividends on the same basis as holders of Shares;
 - (viii) Any Contributing Shareholder may elect at any time to pay the unpaid amount for any number of New Partly Paid Shares held (**Unpaid Amount**)by delivering to the Company's registered office:
 - (i) A notice stating the number of New Partly Paid Shares to be paid-up;
 - (ii) The relevant holding statement(s); and
 - (iii) A cheque (in Australian currency) made payable to the Company for an amount being the result of the Unpaid Amount multiplied by the number of New Partly Paid Shares being paid-up to become fully paid ordinary shares, and
- Immediately upon receipt of, and in exchange for, the items referred to above, the Company will credit the New Partly Paid Shares for the Unpaid Amount so that they become fully paid ordinary shares and deliver updated holding statements to the New Partly Paid Share holder.
- (b) At least 15 Business Days' notice of any call will be provided to Partly Paid Shareholders.

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- (c) No application for Quotation of the New Partly Paid Shares will be made. After such time as the LITCC Partly Paid Share series has all been fully called, or fully paid up (currently expected to occur by November 2016), the Company may seek to list another series of partly paid shares on the ASX. In that future event the Company may assess whether or not to apply for Quotation of the New Partly Paid Shares, subject to the Listing Rules.
 - (d) Should there be any conflict between these terms and the ASX Listing Rules, the ASX Listing Rules will prevail.
 - (e) If the Company is listed on ASX and there is a reorganisation of the issued capital of the Company (including, but not limited to, a consolidation, subdivision, cancellation, reduction or return of capital):
 - (i) the number of New Partly Paid Shares must be reorganised in the same proportion as all other classes of shares on issue; and
 - (ii) the reorganisation must not involve a cancellation or reduction of the total amount payable and unpaid by Partly Paid Shareholders.
 - (f) In accordance with Part 2H.3 of the Corporations Act and the ASX Listing Rules, New Partly Paid Shareholders do not have a contractual obligation to pay calls in respect of the unpaid amount on their New Partly Paid Shares. However, the New Partly Paid Shares the subject of a call will be liable to forfeiture if a call remains unpaid at the end of 14 Business Days after it became payable. Forfeited New Partly Paid Shares may then be sold by the Company by public auction in accordance with the Corporations Act.

7.2 Rights attaching to Shares

Shares issued upon the New Partly Paid Shares being fully paid will rank equally in all respects with existing fully paid ordinary shares in the capital of the Company on issue. The following is a general description of the more significant rights and liabilities attaching to the Shares. This summary is not exhaustive. Full details of provisions relating to rights attaching to the Shares are contained in the Corporations Act, ASX Listing Rules and the Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

- (a) **General meetings**

Security holders are entitled to be present in person, or by proxy, attorney or representative, to attend and vote at general meetings of the Company.

Security holders may requisition meetings in accordance with section 249D of the Corporations Act and the Constitution.
- (b) **Voting rights**

Subject to any rights or restrictions for the time being attached to any class or classes of securities, at general meetings of security holders or classes of security holders:

 - (i) each security holder entitled to vote may vote in person or by proxy, attorney or representative;
 - (ii) on a show of hands, every person present who is a security holder or a proxy, attorney or representative of a security holder has one vote, and
 - (iii) on a poll, every person present who is a security holder or a proxy, attorney or representative of a security holder shall, in respect of each

fully paid security held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the security, but in respect of partly paid securities shall have such number of votes as bears the same proportion to the total of such securities registered in the security holder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

- (c) **Dividend rights**
Subject to the rights of persons (if any) entitled to securities with special rights to dividend, the Directors may declare a final dividend out of profits in accordance with the Corporations Act and may authorise the payment or crediting by the Company to the shareholders of such a dividend. The Directors may authorise the payment or crediting by the Company to the security holders of such interim dividends as appear to the Directors to be justified by the profits of the Company. Subject to the rights of persons (if any) entitled to securities with special rights as to dividend, all dividends are to be declared and paid according to the amounts paid or credited as paid on the shares in respect of which the dividend is paid. The Company may not pay interest in respect of any dividend, whether final or interim.
- (d) **Winding up**
If the Company is wound up, the liquidator may, with the authority of a special resolution of the Company, divide among the security holders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the security holders or different classes of security holders. The liquidator may, with the authority of a special resolution of the Company, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no shareholder is compelled to accept any securities or other securities in respect of which there is any liability. Where an order is made for the winding-up of the Company or it is resolved by special resolution to wind up the Company, then on a distribution of assets to members, any securities classified as restricted securities at the time of the commencement of the winding up shall rank in priority after all other securities.
- (e) **Transfer of securities**
Generally, securities in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act.
- (f) **Variation of rights**
Pursuant to section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of security holders, vary or abrogate the rights attaching to securities.

If at any time the share capital is divided into different classes of securities, the rights attached to any class (unless otherwise provided by the terms of issue of the securities of that class), whether or not the Company is being wound up, may be varied or abrogated with the consent in writing of the holders of three-quarters of the issued securities of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the securities of that class.

8. RISK FACTORS

8.1 Introduction

The New Partly Paid Shares offered under this Prospectus are highly speculative.

Lithium Australia is an exploration and development company and you should consider that an investment in the Company is speculative. You should consult your professional advisers before deciding whether to invest in the Company.

The risk factors set out below and others not specifically referred to below must not be taken as exhaustive of the risks faced by the Company or by investors in the Company.

These risk factors may materially affect the financial performance of the Company and the value and/or the market price of the New Partly Paid Shares. Accordingly the New Partly Paid Shares carry no guarantee with respect to the payment of dividends, returns of capital or their market value. Some risks can be mitigated by the use of appropriate safeguards and appropriate systems and controls by the Company, however some are unpredictable and outside the control of the Company and the extent to which they can be mitigated or managed is very limited or not possible.

KEY RISKS SPECIFIC TO THE COMPANY

8.2 Key Risks

The key risks which the Directors consider are associated with an investment in the Company are:

- (a) Additional Requirements for Capital.
- (b) Title Risk.
- (c) Exploration Risks.
- (d) Country Risk
- (e) Access Risk - Native Title and Aboriginal Heritage.
- (f) Reliance on Key Personnel.
- (g) Exploration Costs.
- (h) Contractual and Joint Venture Risk.
- (i) Dilution.
- (j) Intellectual Property Risks.

Details of these key risks are contained in Section 4.2 and have not been repeated in this Section 8.

INDUSTRY RISKS

8.3 Operating Risks

The current and future operations of the Company, including exploration, project appraisal and possible production activities may be affected by various factors which can limit or prevent such activities. Such factors may include failure to locate or identify mineral deposits, failure to achieve predicted grades in exploration and mining, operational and technical difficulties encountered in surveying, drilling, other exploration activities and/or production activities, difficulties in commissioning and operating plant and equipment, electrical or mechanical failure or plant break, unanticipated metallurgical problems which may affect extraction costs, adverse weather conditions, industrial and environmental accidents, industrial disputes and unexpected shortages or increases in the costs of skilled labour, consumables, spare parts, plant and equipment.

8.4 Resource Estimates

None of the Company's tenements contain a JORC Code compliant resource and there is no guarantee that a JORC Code compliant resource will be discovered on any of the Company's tenements. Resource estimates are expressions of judgement based on knowledge, experience and industry practice. Estimates which were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, resource estimates are imprecise and depend to some extent on interpretations which may prove to be inaccurate. As further information becomes available through additional fieldwork and analysis the estimates are likely to change. This may result in alterations to development and mining plans which may, in turn, adversely affect the Company's operations and the value of the Securities including the New Partly Paid Shares.

8.5 Commercial Risk

The mining industry is competitive and there is no assurance that, even if commercial quantities of minerals are discovered by the Company on its current projects or future projects it may acquire an interest in, a profitable market will exist for sales of such minerals. There can be no assurance that the quality of any such minerals will be such that they can be mined economically.

8.6 Commodity Price Volatility and Exchange Rate Risks

If the Company achieves success leading to mineral production, the revenue it will derive through the sale of lithium or any other minerals it may discover exposes the potential income of the Company to commodity price and exchange rate risks. Commodity prices fluctuate and are affected by many factors beyond the control of the Company. Such factors include supply and demand fluctuations for precious and base metals, technological advancements, forward selling activities and other macro-economic factors such as inflation expectations, interest rates and general global economic conditions.

Furthermore, international prices of various commodities are denominated in United States dollars whereas the income and expenditure of the Company may be taken into account in Australian currency. This exposes the Company to the fluctuations and volatility of the rate of exchange between the United States dollar and the Australian dollar as determined in international markets.

If the price of commodities declines this could have an adverse effect on the Company's exploration, development and possible production activities, and its ability to fund these activities, which may no longer be profitable.

8.7 Insurance Risks

Exploration for and development of minerals involves hazards and risks that could result in the Company incurring losses or liabilities that could arise from its operations. If the Company incurs losses or liabilities which are not covered by its insurance policies, the

funds available for exploration and development will be reduced and the value and/or title to the Company's assets may be at risk.

The Company insures its operations in accordance with industry practice. However in certain circumstances the Company's insurance may not be of a nature or level to provide adequate insurance cover. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of the Company.

Insurance against all risks associated with mining exploration and production is not always available and, where available, the costs can be prohibitive or not adequate to cover all claims.

8.8 Environmental Risks

The operations and proposed activities of the Company are subject to Western Australian and Commonwealth laws and regulations concerning the environment. As with most exploration projects and mining operations, the Company's activities are expected to have an impact on the environment, particularly if advanced exploration or mine development proceeds. Future legislation and regulations governing exploration, development and possible production may impose significant environmental obligations on the Company.

The cost and complexity of complying with the applicable environmental laws and regulations may prevent the Company from being able to develop potential economically viable mineral deposits. The Company may require approval from the relevant authorities before it can undertake activities that are likely to impact the environment. Failure to obtain such approvals or to obtain them on terms acceptable to the Company may prevent the Company from undertaking its desired activities. The Company is unable to predict the effect of additional environmental laws and regulations, which may be adopted in the future, including whether any such laws or regulations would materially increase the Company's cost of doing business or affect its operations in any area.

There can be no assurances that new environmental laws, regulations or stricter enforcement policies, once implemented, will not oblige the Company to incur significant expenses and undertake significant investments in such respect which could have a material adverse effect on the Company's business, financial condition and results of operations.

8.9 Access to Infrastructure

There is limited capacity and high demand for rail and port services for the export of mineral products in Australia at the present time. If the Company progresses to production there is no guarantee that appropriate and affordable rail and port capacity will be available, which could have an adverse effect on the Company. In the event of production the Company will also require the use of both power and water infrastructure. Due to high demand for power and water access there is a risk that the Company may not be able to procure such access which could have an adverse effect on the Company.

8.10 Competition

The Company is competing with other companies in its exploration and development activities, many of which will have access to greater resources than the Company and may be in a better position to compete for future business opportunities. There can be no assurances that the Company can compete effectively with these Companies.

GENERAL INVESTMENT RISKS

8.11 General Economic Conditions

General economic conditions, introduction of tax reform, new legislation, the general level of activity within the resources industry, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's exploration,

development and possible production activities, as well as on its ability to fund those activities.

8.12 Share Market Conditions

Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- (a) general economic outlook;
- (b) the introduction of tax reform or other new legislation (such as royalties);
- (c) interest rates and inflation rates;
- (d) currency fluctuations;
- (e) changes in investor sentiment toward particular market sectors in Australia and/or overseas (such as the exploration industry or the lithium sector within that industry);
- (f) the demand for, and supply of, capital; and
- (g) terrorism or other hostilities.

The market price of the New Partly Paid Shares can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resource exploration stocks in particular, which influences are beyond the Company's control and which are unrelated to the Company's performance. Neither the Company nor the Directors warrant the future performance of the Company, the Securities including the New Partly Paid Shares and subsequently any return on an investment in the Company. Shareholders who sell their Shares, Partly Paid Shares or Options may not receive the entire amount of their original investment.

8.13 Volatility in Global Credit and Investment Markets

Global credit, commodity and investment markets have recently experienced a high degree of uncertainty and volatility. The factors which have led to this situation have been outside the control of the Company and may continue for some time resulting in continued volatility and uncertainty in world stock markets (including the ASX). This may impact the price at which the New Partly Paid Shares trade regardless of operating performance and affect the Company's ability to raise additional equity and/or debt to achieve its objectives, if required.

8.14 Government and Legal Risk

The introduction of new legislation or amendments to existing legislation by governments (including introduction of tax reform), developments in existing common law or the respective interpretation of the legal requirements in any of the legal jurisdictions which govern the Company's operations or contractual obligations, could impact adversely on the assets, operations and ultimately the financial performance of the Company, or the Securities including the New Partly Paid Shares. The same adverse impact is possible by the introduction of new government policy or amendments to existing government policy, including such matters as access to lands and infrastructure, compliance with environmental regulations, taxation and royalties. .

8.15 Unforeseen Expenditure Risk

Expenditure may need to be incurred that has not been considered in this Prospectus. Although the Company is not aware of any such additional expenditure requirements, if such expenditure is subsequently incurred this may adversely affect the expenditure proposals and activities of the Company, as the Company may be required to reduce the scope of its operations and scale back its exploration programmes. This could have a material adverse effect on the Company's activities and the value of the Securities including the New Partly Paid Shares.

8.16 Regulatory Approvals

The Company's exploration and development activities are subject to extensive laws and regulations relating to numerous matters including resource licence consent, conditions including environmental compliance and rehabilitation, taxation, employee relations, health and worker safety, waste disposal, protection of the environment, protection of endangered and protected species and other matters. The Company requires permits from regulatory authorities to authorise the Company's operations. These permits relate to exploration, development, production and rehabilitation activities.

Obtaining the necessary permits can be a time consuming process and there is a risk that the Company will not obtain these permits on acceptable terms, in a timely manner or at all. The costs and delays associated with obtaining the necessary permits and complying with these permits and applicable laws and regulations could materially delay or restrict the Company from proceeding with the development of a project or the operation or development of a mine. Any failure to comply with applicable laws and regulations, even if inadvertent, could result in material fines, penalties or other liabilities. In extreme cases, failure could result in the suspension of the Company's activities or forfeiture of one or more of the Company's tenements.

9. ADDITIONAL INFORMATION

9.1 Continuous disclosure obligations

The Company is a “disclosing entity” (as defined in section 111AC of the Corporations Act) for the purposes of section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Securities.

This Prospectus is a “transaction specific prospectus”. In general terms a “transaction specific prospectus” is only required to contain information in relation to the effect of the issue of securities on the company and the rights attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

Having taken such precautions and having made such enquires as are reasonable, the Company believes that it has complied with the general and specific requirements of ASX as applicable from time to time before the issue of this Prospectus which required the Company to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The Company, as a disclosing entity under the Corporations Act states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with ASIC in relation to the Company (not being documents referred to in section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of ASIC; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:
 - (i) the annual financial report of the Company for the financial year ended 30 June 2015, being the most recent annual report lodged by the Company with ASIC before the issue of this Prospectus;
 - (ii) any half-year financial report lodged by the Company with ASIC after the lodgement of the annual financial report referred to in paragraph (i) above and before the lodgement of this Prospectus with ASIC; and
 - (iii) any continuous disclosure documents given by the Company to ASX in accordance with the Listing Rules as referred to in section 674(1) of the Corporations Act after the lodgement of the annual financial report referred to in paragraph (i) above and before the lodgement of this Prospectus with ASIC.

Copies of all documents lodged with ASIC in relation to the Company can be inspected at the registered office of the Company or an ASIC office during normal office hours, free of charge.

The Company has lodged the following announcements with ASX since the lodgement of the Company's annual financial report for the financial year ended 30 June 2015 and before the lodgement of this Prospectus with ASIC:

| Date | Description of Announcement |
|------------|--|
| 31/03/2016 | LIT withdraws from non-binding MoU with EMH |
| 31/03/2016 | LIT identifies additional lithium sources at Ravensthorpe WA |
| 24/03/2016 | Appendix 3B |
| 18/03/2016 | Change in substantial holding |
| 18/03/2016 | More LITCC conversions and first 10 cent option conversion |
| 15/03/2016 | Half Year Accounts |
| 15/03/2016 | LIT Breakthrough processing approach wins federal grant |
| 14/03/2016 | Appendix 3B |
| 11/03/2016 | Change in substantial holding |
| 10/03/2016 | LIT advances Sileach process with Lepidolite Hill PoW |
| 04/03/2016 | Appendix 3B |
| 04/03/2016 | Exploration Target & Drill Schedule Announced |
| 26/02/2016 | Bonus Issue Update and Appendix 3B |
| 24/02/2016 | RIU Explorers Conference presentation |
| 22/02/2016 | The Sileach™ process achieves a processing breakthrough |
| 18/02/2016 | LIT and VMC join forces in Pilgangoora area |
| 15/02/2016 | LIT confirms high grade pegmatites at Ravensthorpe WA |
| 10/02/2016 | Investor presentation February 2016 |
| 09/02/2016 | LIT and Alix consolidate their alliance in Sonora Mexico |
| 05/02/2016 | Appendix 3B and Cleansing Statement |
| 04/02/2016 | Final results confirm veracity of lithium hydroxide project |
| 02/02/2016 | LIT and PLS extend mica evaluation over Pilgangoora hot spot |
| 01/02/2016 | LIT plans bulk sampling program for Lepidolite Hill WA |
| 29/01/2016 | Appendix 3B |
| 29/01/2016 | Quarterly Activities Report and Quarterly Cash flow Report |
| 27/01/2016 | Potential for lithium mica mineralisation extended at CRMV |
| 25/01/2016 | Change of Director's Interest Notice |
| 22/01/2016 | Further LITCC Conversions Appendix 3B & Cleansing Statement |
| 22/01/2016 | Exploration to commence at Ravensthorpe |
| 21/01/2016 | Becoming a substantial holder |
| 20/01/2016 | First Cornerstone Investor & Appendix 3B & Cleansing Statement |
| 15/01/2016 | Appendix 3B |
| 15/01/2016 | Pilgangoora Lithium Hot Spot JORC Table 1 |
| 14/01/2016 | New work firms up significant potential at Pilgangoora |
| 11/01/2016 | Appendix 3B |
| 11/01/2016 | LIT placement of \$6.55m to expedite lithium strategy |
| 08/01/2016 | Update for Electra Project |

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| | |
|------------|---|
| 07/01/2016 | Proposed Bonus Issue of 25 cent Partly Paid Shares |
| 06/01/2016 | LIT Investor Presentation January 2016 |
| 06/01/2016 | Trading Halt |
| 31/12/2015 | Response to ASX Aware Letter |
| 30/12/2015 | Appendix 3B |
| 24/12/2015 | Appendix 3B and Appendix 3Y * 3 |
| 24/12/2015 | Hydroxide Update |
| 24/12/2015 | Response to ASX Price Query |
| 24/12/2015 | Appointment of KCA for scoping work |
| 23/12/2015 | Trading Halt Request |
| 23/12/2015 | Trading Halt |
| 11/12/2015 | LIT advises first lithium hydroxide production |
| 10/12/2015 | Change in substantial holding |
| 08/12/2015 | Interest in conversion of LITCC to LIT ongoing and App 3B |
| 04/12/2015 | Appendix 3B and Appendix 3Y |
| 01/12/2015 | Lithium Australia advises Hallgarten Initiating Coverage |
| 30/11/2015 | Results of Meeting |
| 30/11/2015 | Chairmans Address 2015 Annual General Meeting |
| 25/11/2015 | Change of Director's Interest Notices |
| 20/11/2015 | LIT advises 98% take up of LITCB program and Appendix 3B |
| 13/11/2015 | Appendix 3B |
| 11/11/2015 | LIT RIU Conference Presentation in Brisbane |
| 11/11/2015 | LIT and Alix to advance Electra Li Project in Sonora Mexico |
| 10/11/2015 | Trading Halt |
| 03/11/2015 | Lithium Australia third reminder call for payment of LITCB |
| 02/11/2015 | LIT renews Managing Director's contract for further 3 years |
| 02/11/2015 | Notice of Annual General Meeting/Proxy Form |
| 30/10/2015 | Appendix 3B |
| 23/10/2015 | Appendix 3B |
| 23/10/2015 | Notification of call on partly paid shares LITCB |
| 22/10/2015 | Finfeed Interview with LIT Managing Director |
| 20/10/2015 | EMH: Lithium Update |
| 19/10/2015 | Notification of call on partly paid shares LITCB |
| 19/10/2015 | Appendix 3B and Appendix 3Y * 3 |
| 16/10/2015 | Quarterly Cashflow Report |
| 16/10/2015 | Appendix 3B |
| 13/10/2015 | Clarification to September 2015 Quarterly Operations Report |
| 12/10/2015 | LIT Quarterly Report September 2015 |
| 05/10/2015 | Response to ASX Price Query |
| 30/09/2015 | Appendix 4G |

ASX maintains files containing publicly available information for all listed companies. The Company's file is available for inspection at ASX during normal office hours.

The announcements are also available through the Company's website www.lithium-au.com.

9.2 Market price of Shares and LITCC Partly Paid Shares

The Company is a disclosing entity for the purposes of the Corporations Act and the Shares are enhanced disclosure securities quoted on ASX.

The highest, lowest and last market sale prices of the Shares and LITCC Partly Paid Shares on ASX during the three months immediately preceding the date of lodgement of this Prospectus with ASIC and the respective dates of those sales were:

Shares

Highest: \$0.18 on 4 January 2016.

Lowest: \$0.125 on 19 January 2016 and 19 February 2016.

Last: \$0.145 on 1 April 2016.

LITCC Partly Paid Shares

Highest: \$0.145 on 4 January 2016.

Lowest: \$0.10 on 21 January 2016.

Last: \$0.115 on 31 March 2016.

9.3 Interests of Directors

Other than as set out below or elsewhere in this Prospectus, no Director or proposed Director holds, or has held within the two (2) years preceding lodgement of this Prospectus with ASIC, any interest in:

- the formation or promotion of the Company; or
- any property acquired or proposed to be acquired by the Company in connection with:
 - its formation or promotion; or
 - the Offer; and
- the Offer,

and no amounts have been paid or agreed to be paid (in cash, Shares, Options or otherwise) and no benefits have been given or agreed to be given to a Director or a proposed Director:

- as an inducement to become, or to qualify as, a Director; or
- for services provided in connection with:
 - the formation or promotion of the Company; or
 - the Offer.

Security Holdings

The Directors', including their controlled entities', relevant interests in Securities as at the date of this Prospectus are set out below:

Shares and Partly Paid Shares

| Name | Shares | LITCC Partly Paid Shares | Unlisted Partly Paid Contributing Shares | Entitlement to New Partly Paid Shares ⁽¹⁾ | Options / Performance Rights |
|-------------------------------|-----------|--------------------------|--|--|------------------------------|
| George Bauk ⁽²⁾ | 358,012 | 150,000 | Nil | 179,006 | 4,000,000 / 2,025,000 |
| Adrian Griffin ⁽³⁾ | 5,624,566 | - | 334,082 | 2,812,283 | 8,000,000 / 7,050,000 |

| | | | | | |
|----------------------------|-----------|---------|-----|---------|--------------------------|
| Bryan Dixon ⁽⁴⁾ | 1,029,399 | 508,472 | Nil | 514,700 | 4,000,000 / 2,025,000 |
|----------------------------|-----------|---------|-----|---------|--------------------------|

Notes:

- (1) This refers to the number of New Partly Paid Shares each Director is entitled to receive under the Offer. Directors may elect to convert their current LITCC holding and Options holding prior to the Record date which will change their entitlement to New Partly Paid Shares.
- (2) Mr George Bauk also holds 4,000,000 Options and 2,025,000 Performance Rights, each of which entitles the holder to one Share upon the achievement of certain hurdles as set out in Section 6.3.
- (3) Mr Adrian Griffin also holds 8,000,000 Options and 3,000,000 Performance Rights, each of which entitles the holder to one Share upon the achievement of certain hurdles as set out in Section 6.3.
- (4) Mr Bryan Dixon also holds 4,000,000 options and 2,025,000 Performance Rights, each of which entitles the holder to one Share upon the achievement of certain hurdles as set out in Section 6.3.

Options

| Name | Options exercisable at \$0.15 on or before 1/7/19 | Options exercisable at \$0.20 on or before 1/7/19 | Options exercisable at \$0.30 on or before 1/7/19 |
|-------------------------------|---|---|---|
| George Bauk | 1,250,000 | 1,250,000 | 1,500,000 |
| Adrian Griffin ⁽¹⁾ | 2,500,000 | 2,500,000 | 3,000,000 |
| Bryan Dixon | 1,250,000 | 1,250,000 | 1,500,000 |

Performance Rights

| Name | Annexure A Performance Rights | Annexure C Performance Rights |
|----------------|-------------------------------|-------------------------------|
| George Bauk | 2,025,000 | 0 |
| Adrian Griffin | 4,050,000 | 3,000,000 |
| Bryan Dixon | 2,025,000 | 0 |

Remuneration

The remuneration of an executive Director is decided by the Board, without the affected executive Director participating in that decision-making process. The total maximum remuneration of non-executive Directors is initially set by the Constitution and subsequent variation is by ordinary resolution of Shareholders in general meeting in accordance with the Constitution, the Corporations Act and the Listing Rules, as applicable. The determination of non-executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each non-executive Director. The current amount has been set at an amount not to exceed \$200,000 per annum.

A Director may be paid fees or other amounts (i.e. non-cash performance incentives such as Options, subject to any necessary Shareholder approval) as the other Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. In addition, Directors are also entitled to be paid reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors.

The Company has entered into a deed of indemnity, insurance and access with each of the Directors and the Company Secretary (**Deeds**). Under the terms of the Deeds, the Company indemnifies each officer to the extent permitted by the Corporations Act against any liability as a result of the officer acting as an officer of the Company. The Company is required under the Deeds to use its best endeavours to obtain and maintain insurance policies for the benefit of the relevant officer for the term of their appointment and for a period of seven (7) years after retirement, termination or resignation, except to the extent

For personal use only

that such insurance cannot be procured at a reasonable cost or is otherwise unavailable to the Company. The Deeds also provide for the officer to have a right of access to Board papers and minutes.

The following table shows the total director remuneration the current Directors, including their personally-related entities, have been paid or are entitled to be paid.

| Name | Year Ended 30 June 2014 | Year Ended 30 June 2015 | 1 July 2015 to 28 February 2016 |
|----------------------------|----------------------------|----------------------------|------------------------------------|
| George Bauk ⁽¹⁾ | - | - | \$33,750 |
| Adrian Griffin | \$137,500 | \$208,333 | \$166,667 |
| Bryan Dixon | \$30,000 | \$40,000 | \$36,250 |

Notes:

(1) Mr George Bauk was appointed as Non-Executive Chairman on 15 July 2015.

9.4 Interests of Experts and Advisers

Other than as set out below or elsewhere in this Prospectus, no:

- person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus; or
- promoter of the Company; or
- an underwriter (but not a sub-underwriter),

holds, or has held within the two (2) years preceding lodgement of this Prospectus with ASIC, any interest in:

- the formation or promotion of the Company; or
- any property acquired or proposed to be acquired by the Company in connection with:
 - its formation or promotion; or
 - the Offer; and
- the Offer,

and no amounts have been paid or agreed to be paid (in cash, Shares, Options or otherwise) and no benefits have been given or agreed to be given to any of these persons for services provided in connection with:

- the formation or promotion of the Company; or
- the Offer.

Cardinals Lawyers and Consultants have acted as the solicitors to the Company in relation to the Offer. The Company estimates it will pay Cardinals Lawyers and Consultants approximately \$9,000 plus GST and disbursements for these services. During the 24 months preceding lodgement of this Prospectus with ASIC, the Company has incurred fees of approximately \$22,000 plus GST and disbursements to Cardinals Lawyers and Consultants for legal and other services provided to the Company. The principal of Cardinals Lawyers and Consultants, Mr Richard Homsany, has a relevant interest in 80,000 Shares.

9.5 Consents

Each of the parties referred to in this Section:

- (a) does not make the Offer;

- (b) has not authorised or caused the issue of this Prospectus;
- (c) does not make, or purport to make, any statement in this Prospectus other than those referred to in this Section; and
- (d) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statement included in or omitted from this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section 9.5.

Cardinals Lawyers and Consultants has given its written consent to being named as solicitors to the Company in this Prospectus, in the form and context in which it is named. Cardinals Lawyers and Consultants has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC.

9.6 Expenses of the Offer

The total expenses of the Offer are estimated to be approximately \$13,000 and are expected to be applied towards the items set out in the table below:

| Item of Expenditure | (\$) |
|---------------------------|---------------|
| ASIC fees | 2,320 |
| Legal fees | 9,000 |
| Printing and distribution | 1,680 |
| TOTAL | 13,000 |

9.7 Litigation

As at the date of this Prospectus, the Company is not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company.

9.8 Clearing House Electronic Sub-Register System (CHES) and Issuer Sponsorship

The Company participates in the Clearing House Electronic Sub-register System (**CHES**). CHES is operated by ASX Settlement Pty Ltd, a wholly owned subsidiary of the ASX, in accordance with the Listing Rules and the ASX Settlement Operating Rules. The Company operates an electronic issuer-sponsored sub-register and an electronic CHES sub-register. The two sub-registers together make up the Company's principal register of Securities.

The Company will not issue certificates to Security holders. Instead Security holders will receive a statement of their holdings in the Company, including their holding of New Partly Paid Shares. If an investor is broker sponsored, ASX Settlement Pty Ltd will send a CHES statement. This statement will also advise investors of either their Holder Identification Number (HIN) in the case of a holding on the CHES sub-register or a Security Holder Reference Number (SRN) in the case of a holding on the issuer sponsored sub-register.

A statement will be routinely sent to Security holders at the end of any calendar month during which their holding changes. A Security holder may request a statement at any other time however a charge may be incurred for additional statements.

9.9 Dividend Policy

The Company has not declared a dividend since its incorporation and, at the date of this Prospectus, does not intend to pay any dividends in the two year period following the date of this Prospectus. During this period the Board expects to incur significant expenditure on the exploration and development of the Company's projects and in identifying, evaluating

and, if warranted, acquiring other resource projects or assets in Australia and/or overseas that have the potential to add Shareholder value. The extent, timing and payment of dividends by the Company in the future will be at the discretion of the Directors and will depend on a number of factors including future earnings, the operating results and financial condition of the Company, future capital requirements, general business and other factors considered relevant by the Directors. No assurances in relation to the payment of dividends, or the franking credits attached to such dividends, can be given.

10. GLOSSARY

Where the following terms are used in this Prospectus they have the following meanings, unless the context requires otherwise:

\$ means an Australian dollar.

Annexure A Performance Rights means performance rights in the Company issued on the terms and conditions set out in Section 6.3.

Annexure C Performance Rights means performance rights in the Company issued on the terms and conditions set out in Section 6.3.

ASIC means the Australian Securities & Investments Commission.

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

ASX Settlement Operating Rules means the operating rules of the settlement facility operated by ASX Settlement Pty Ltd (ACN 008 504 532), as amended from time to time.

Board means the board of Directors.

Bonus Share means a New Partly Paid Share.

Business Day means any day which is defined to be a business day pursuant to Listing Rule 19.12.

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

Constitution means the constitution of the Company.

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

Directors means the directors of the Company from time to time.

Group means the Company and its related bodies corporate (as that term is defined in the Corporations Act) (if any).

JORC Code means the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012) prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia.

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 the ASX, each as amended or replaced from time to time, except to the extent of any express written waiver by ASX.

LITCC Partly Paid Shares means the Partly Paid Shares each currently paid to \$0.021 and unpaid to \$0.029.

New Partly Paid Share or **Bonus Share** means a partly paid share in the capital of the Company, having an issue price of \$0.25, paid up to \$0.0001 and unpaid to \$0.2499, issued pursuant to this Prospectus.

Offer means the non renounceable bonus issue, the subject of this Prospectus.

Partly Paid Share means a partly paid share in the capital of the Company, and includes the LITCC Partly Paid Shares and the Unlisted Partly Paid Contributing Shares.

Performance Rights means Annexure A Performance Rights and Annexure C Performance Rights.

Prospectus means this prospectus dated 1 April 2016.

Record Date means the date for determining entitlements to Bonus Shares specified in the timetable in Section 3.

Quotation means official quotation by the ASX in accordance with the Listing Rules.

Section means a section of this Prospectus.

Securities means Shares, Partly Paid Shares and Options, or any one of them, as the context requires, and **Security** has a corresponding meaning.

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

Share Registry means Advanced Share Registry Ltd.

Shareholder means a holder of a Share.

Unlisted Partly Paid Contributing Share means the unlisted Partly Paid Shares each currently paid to \$0.0001 each and unpaid to \$0.2499.

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

11. DIRECTORS' STATEMENT AND AUTHORISATION

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

Each Director has consented to the lodgement of this Prospectus with ASIC in accordance with section 720 of the Corporations Act and has not withdrawn that consent.

Dated 1 April 2016

Barry Woodhouse
Company Secretary
For and on behalf of
Lithium Australia NL

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