
LITHIUM AUSTRALIA NL (FORMERLY COBRE MONTANA NL)

ABN 29 126 129 413

NOTICE OF ANNUAL GENERAL MEETING

TIME: 10:00am WST

DATE: Monday, 30 November 2015

PLACE: Level 1
675 Murray Street
West Perth WA 6005

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

TIME AND PLACE OF MEETING AND HOW TO VOTE

TIME AND PLACE

The Annual General Meeting will be held at **10:00am WST on Monday, 30 November 2015** at Level 1, 675 Murray Street, West Perth WA 6005.

YOUR VOTE IS IMPORTANT

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

VOTING IN PERSON

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

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 in accordance with the instructions set out on the form and either send the Proxy Form:

- i. by post, to Lithium Australia NL, PO Box 588, Belmont WA 6984;
- ii. by facsimile, to the Company on facsimile number (08) 9475 0847; or
- iii. by email, to the Company at info@lithium-au.com,

so that it is received not later than **10:00am WST on Saturday, 28 November 2015**.

Proxy Forms received later than this time will be invalid.

Proxy voting restrictions

Shareholders appointing a proxy for Resolutions 1 and 7 should note the following:

- (a) **If you appoint a member of the Key Management Personnel as your proxy** (other than the Chair) whose remuneration details are included in the Remuneration Report, or a Closely Related Party of such a member, **you must** direct your proxy how to vote on Resolutions 1 and 7. Undirected proxies granted to these persons will not be voted and will not be counted in calculating the required majority if a poll is called on Resolutions 1 and 7.
- (b) **If you appoint the Chair as your proxy** (where he or she is also a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report, or a Closely Related Party of such a member), you **do not** need to direct your proxy how to vote on Resolutions 1 and 7. However, if you do not direct the Chair how to vote, the Chair to exercise his or her discretion in

exercising your proxy even though Resolutions 1 and 7 are connected directly or indirectly with the remuneration of Key Management Personnel.

The Chair intends to vote all undirected proxies in favour of Resolutions 1 and 7.

- (c) **If you appoint any other person as your proxy**, you **do not** need to direct your proxy how to vote on Resolutions 1 and 7, and you **do not** need to mark any further acknowledgement on the Proxy Form.

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting of shareholders of Lithium Australia NL will be held at Level 1, 675 Murray Street, West Perth WA 6005 at 10:00am WST on Monday, 30 November 2015.

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

The Directors have determined pursuant to Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Annual General Meeting are those who are registered Shareholders at 10:00am WST on Saturday, 28 November 2015.

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

AGENDA

Reports and Accounts

To receive and consider the annual financial report of the Company for the financial year ended 30 June 2015, together with the declaration of the Directors, the Directors' Report, the Remuneration Report and the auditor's report.

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

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

"That, for the purpose of Section 250R(2) of the Corporations Act and for all other purposes, approval is given for the Company to adopt the Remuneration Report for the financial year ended 30 June 2015."

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

Voting Prohibition Statement:

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

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

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

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

2. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – BRYAN DIXON

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

"That Bryan Dixon, being a Director who retires by rotation in accordance with the Constitution and, being willing and eligible for re-election, is hereby re-elected as a Director."

3. RESOLUTION 3 – APPROVAL FOR ADDITIONAL PLACEMENT CAPACITY

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

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

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

4. RESOLUTION 4 – RATIFICATION OF THE ISSUE OF SHARES

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

"That, for the purpose of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify and approve the issue and allotment of 28,571 Shares on the terms and conditions and in the manner set out in the Explanatory Memorandum."

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

5. RESOLUTION 5 – RATIFICATION OF THE ISSUE OF ANNEXURE A PERFORMANCE RIGHTS AND PERFORMANCE OPTION RIGHTS

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

"That, for the purpose of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify and approve the issue and allotment of:

- 2,240,000 Annexure A Performance Rights; and
- 9,600,000 Performance Option Rights,

to employees of the Company, and the issue of Shares subject of the Performance Rights, and Options subject of the Performance Option Rights on the terms and conditions, and in the manner, set out in the Explanatory Memorandum."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by a person (and any associates of such a person) who participated in the proposed 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 – APPROVAL OF PLACEMENT OF SHARES

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

"That for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Directors to issue and allot shares up to that number of Shares, when multiplied by the issue price, to a value of \$2,000,000 at a price that is at least 80% of the average market price of the Shares calculated over the last 5 days on which sales in the Shares were recorded before the date on which the issue is made; and otherwise on the terms and conditions and in the manner set out in the Explanatory Memorandum."

Voting Exclusion: The Company will disregard any votes cast on Resolution 6 by any person who may participate in the proposed issue and any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if Resolution 6 is passed and any associate of those persons. 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 – APPROVAL OF ISSUE OF ANNEXURE C PERFORMANCE RIGHTS TO ADRIAN GRIFFIN

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

"That approval is given for the purposes of Sections 200B and 200E and Chapter 2E of the Corporations Act and of Listing Rule 10.11 and for all other purposes, for the grant of 3,000,000 Annexure C Performance Rights to Mr Adrian Griffin, and the issue of Shares subject of the Performance Rights on the terms and conditions, and in the manner, set out in the Explanatory Memorandum."

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

Voting Prohibition Statement:

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

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

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

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

DATED: 26 OCTOBER 2015

BY ORDER OF THE BOARD

**Barry Woodhouse
COMPANY SECRETARY
LITHIUM AUSTRALIA NL**

EXPLANATORY MEMORANDUM

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

1. FINANCIAL STATEMENTS

In accordance with the Constitution, the business of the Annual General Meeting will include receipt and consideration of the annual financial report of the Company for the financial year ended 30 June 2015 together with the declaration of the Directors, the Directors' Report, the Remuneration Report and the Auditor's Report.

The audited financial statements for the year ended 30 June 2015 includes an emphasis of matter in the audit opinion. The basis for the emphasis of matter was the material uncertainty regarding the Company's ability to continue as a going concern. Please refer to the annual report for the year ended 30 June 2015 for further details.

The Company will not provide a hard copy of the Company's annual financial report to Shareholders unless specifically requested to do so. The Company's annual financial report is available on its website at www.Lithiumau.com.au.

2. RESOLUTION 1 – REMUNERATION REPORT (NON-BINDING RESOLUTION)

2.1 General

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

The Remuneration Report sets out the Company's remuneration arrangements for the Directors and senior management of the Company. The Remuneration Report is part of the Directors' Report contained in the annual financial report of the Company for the financial year ending 30 June 2015.

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

3. RESOLUTION 2 – RE-ELECTION OF BRYAN DIXON

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

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

Bryan Dixon retires and seeks re-election in accordance with ASX Listing Rule 14.4 and rule 73.1 of the Constitution. Details regarding Bryan Dixon are set out in the 2015 Annual Report.

The Directors, other than Bryan Dixon, recommend that Shareholders vote in favour of Resolution 2.

4. RESOLUTION 3 – APPROVAL FOR ADDITIONAL PLACEMENT CAPACITY

4.1 General

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

The Company is an Eligible Entity.

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

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

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

4.2 ASX Listing Rule 7.1A

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

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

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

The Company is an Eligible Entity as it is not included in the S&P/ASX 300 Index and has a current market capitalisation of \$14,047,610 (as at 26 October 2015).

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

4.3 Technical information required by ASX Listing Rule 7.1A

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

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

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

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or

- (ii) if the Equity Securities are not issued within 5 Trading Days of the date in paragraph 4.3(a)(i), the date on which the Equity Securities are issued.

(b) **Date of Issue**

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

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

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

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

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

The table below shows the dilution of existing Shareholders calculated in accordance with the formula outlined in ASX Listing Rule 7.1A.2, on the basis of the current market price of Shares and the current number of Equity Securities on issue as at the date of this Notice.

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

Number of Shares on Issue (variable "A" in ASX Listing Rule 7.1A.2)	Dilution			
	Dilution based on number of Shares issued (being 10% of the number of Shares at the time of issue)	Funds raised based on issue price of \$0.036 (50% decrease in current issue price)	Funds raised based on issue price of \$0.072 (Current issue price)	Funds raised based on issue price of \$0.108 (50% increase in current issue price)
133,786,766 (Current)	13,378,677	\$481,632	\$963,265	\$1,444,897
200,680,149 (50% increase)*	20,068,015	\$722,449	\$1,444,897	\$2,167,346
267,573,532 (100% increase)*	26,757,353	\$963,265	\$1,926,529	\$2,889,794

*The number of Shares on issue could increase as a result of the issue of Shares that do not require Shareholder approval (such as under a pro-rata rights issue

or scrip issued under a takeover offer) or that are issued with Shareholder approval under Listing Rule 7.1.

The table above uses the following assumptions:

1. The current shares on issue are as at the date of this Notice.
2. The issue price set out above is based on 75% of the 15 day weighted average volume using the closing price of the Shares on the ASX on 22 October 2015 (\$0.072).
3. The Company issues the maximum possible number of Equity Securities under the 10% Placement Capacity.
4. The Company has not issued any Equity Securities in the 12 months prior to the Annual General Meeting that were not issued under an exception in ASX Listing Rule 7.2 or with approval under ASX Listing Rule 7.1.
5. The calculations above do not show the dilution that any one particular Shareholder will be subject to. All Shareholders should consider the dilution caused to their own shareholding depending on their specific circumstances.
6. This table does not set out any dilution pursuant to approvals under ASX Listing Rule 7.1.
7. The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.

Shareholders should note that there is a risk that:

- (i) the market price for Shares may be significantly lower on the issue date than on the date of the Annual General Meeting; and
- (ii) the Shares may be issued at a price that is at a discount to the market price for those Shares on the date of issue.

(d) Purpose of Issue under 10% Placement Capacity

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

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

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

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

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

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

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

(f) Previous Approval under ASX Listing Rule 7.1A

The Company obtained approval under ASX Listing Rule 7.1A at its previous annual general meeting on 24 November 2014. In accordance with Listing Rule 7.3A.6, since 24 November 2014, the Company has issued 52,073,481 shares (49,073,481 Shares and 3,000,000 Partly Paid Shares (paid to \$0.0001)) which represents 27.4% of the total number of Equity Securities on issue on 21 October 2015. The Equity Securities issued during this time were as follows:

Issue date	Equity Securities	Persons issued to or basis of issue	Price amount raised and use of funds or value of non-cash consideration
27 November 2014	200,000 fully paid ordinary shares	Tenement Acquisition	Shares Issued at \$0.04 to Dempsey Minerals Ltd for tenement acquisition.
30 December 2014	22,857,143 fully paid ordinary shares	Private Investors	Shares Issued at \$0.035 and funds were used by the Company primarily to instigate its lithium strategy and for general working capital purposes.
7 January 2015	1,400,000 fully paid ordinary shares	Directors & Senior Management	Shares Issued at \$0.044 in lieu of services.
22 January 2015	2,869,297 fully paid ordinary shares	Directors & Senior Management	The Shares were issued at an average of \$0.0247 as per Director & Senior Management Fee & Remuneration Sacrifice Share Plan.
22 January 2015	1,178,214 fully paid ordinary shares	Directors & Senior Management	The Shares were issued at an average of \$0.035 as per Director & Senior Management Fee & Remuneration Sacrifice Share Plan.
12 March 2015	85,968 fully paid ordinary shares	Service Provider	The Shares were issued at \$0.0414 in lieu of services.
12 March 2015	2,413,127 fully paid ordinary shares	Private Investors	The Shares were issued for \$0.0414 and funds were used by the Company primarily for project development

			expenditure and general working capital purposes.
23 April 2015	1,204,820 fully paid ordinary shares	Private Investors	The Shares were issued for \$0.0415 and funds were used by the Company primarily for project development expenditure and general working capital purposes.
14 May 2015	13,105,290 fully paid ordinary shares	Private Investors	The Shares were issued for \$0.07 and funds were used by the Company primarily for project development expenditure and general working capital purposes.
10 June 2015	28,571 fully paid ordinary shares	Private Investors	The Shares were issued for \$0.07 and funds were used by the Company primarily for project development expenditure and general working capital purposes.
8 July 2015	2,096,051 fully paid ordinary shares	Directors & Senior Management	The Shares were issued at an average of \$0.055 as per Director & Senior Management Fee & Remuneration Sacrifice Share Plan.
22 July 2015	375,000 fully paid ordinary shares	Consultant	Shares issued at \$0.08 in lieu of services.
22 July 2015	3,000,000 partly paid shares deemed paid up to \$0.0001, unpaid \$0.2499	Consultant	Shares Issued at nil in lieu of services.
31 July 2015	1,260,000 fully paid ordinary shares	Holders of CXBCA	Shares issued upon full payment of outstanding amounts for the listed partly paid shares
23 October 2015	200,000 fully paid ordinary shares	Holders of LITCB	Shares issued upon full payment of outstanding amounts for the listed partly paid shares

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

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

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

4.4 ASX Listing Rule 7.3

ASX Listing Rule 7.3 requires disclosure of additional information if the 10% Placement Capacity was utilised during the prior year. The Company did not utilise the 10% Placement Capacity during the prior year.

4.5 Voting Exclusion

A voting exclusion statement is included in this Notice. As at the date of this Notice, the Company has not invited any existing Shareholder to participate in an issue of Equity

Securities under ASX Listing Rule 7.1A. Therefore, no existing Shareholders will be excluded from voting on Resolution 3.

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

5.1 Background

On 10 June 2015 the Company announced a capital raising of \$2,000 through the issue of 28,571 Shares at an issue price of \$0.07 per Share.

The Company issued the 28,571 Shares without prior Shareholder approval out of its 15% annual placement capacity.

Resolution 4 seeks 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 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.

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 Resolution 4:

- (a) 28,571 Shares were issued;
- (b) the issue price per Share was \$0.07;
- (c) the Shares issued were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (d) the Shares were issued to Orequest Pty Ltd who is not a related party of the Company; and
- (e) the funds raised from this issue will be used for project development expenditure and working capital.

5.4 Directors' recommendation

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

6. RESOLUTION 5 – RATIFICATION OF PRIOR ISSUE OF ANNEXURE A PERFORMANCE RIGHTS AND PERFORMANCE OPTION RIGHTS

6.1 Background

On 15 October 2015 the Company issued 9,600,000 Performance Option Rights and 2,240,000 Annexure A Performance Rights without prior Shareholder approval out of its 15% annual placement capacity.

Resolution 6 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 and for all other purposes of the issue of those Performance Rights and Performance Option Rights (**Placement Ratification**).

6.2 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 the Placement Ratification:

- (a) 9,600,000 Performance Option Rights and 2,240,000 Annexure A Performance Rights were issued;
- (b) the issue price per Performance Option Right and Annexure A Performance Right was nil as the Performance Option Rights and Annexure A Performance Rights were issued to employees of the Company as consideration for services provided to the Company;
- (c) the Performance Option Rights and Annexure A Performance Rights were issued on the same terms and conditions as approved by Shareholders in the general meeting held on 15 July 2015. The terms and conditions of the Annexure A Performance Rights and the Performance Option Rights are set out in Annexure A and Annexure B respectively. Shares issued upon exercise of the Performance Option Rights and the Performance Options will rank pari passu with the Company's existing Shares;
- (d) the Performance Option Rights and the Annexure A Performance Rights were issued to employees of the Company; and
- (e) no funds were raised from this issue of the Performance Option Rights and the Annexure A Performance Rights as they were issued for nil consideration.

6.3 Directors' recommendation

None of the Directors has a material personal interest in the subject matter of Resolution 6. The Board believes that the ratification of the issue of the Performance Option Rights and Annexure A Performance Rights is beneficial for the Company. The Board recommends Shareholders vote in favour of Resolution 6 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 6 APPROVAL FOR PLACEMENT OF SHARES

7.1 Background

Resolution 5 seeks Shareholder approval for the issue and allotment of up to that number of Shares that, when multiplied by the issue price, will raise up to \$2,000,000 on the terms set out below ('**Placement**').

The effect of Resolution 5 will be to allow the Directors to issue the Shares pursuant to the Placement during the period of three months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% placement capacity.

7.2 ASX Listing Rule 7.1

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.

For the purposes of ASX Listing Rule 7.3, the following information is provided in relation to Resolution 5 to allow Shareholders to assess the proposed Placement for the future issue of Shares which, when multiplied by the issue price equals \$2,000,000;

- (a) the issue price of the Shares proposed to be allotted and issued will be at a price that is at least 80% of the average market price of the Shares calculated over the last 5 days on which sales in the Shares were recorded before the date on which the issue is made;
- (b) the allottees in respect of Resolution 5 are not, as yet, identifiable, but will be subscribers to be identified by the Company and any brokers appointed by the Company to manage the issue. The allottees will not be related parties of the Company;
- (c) the Shares to be issued will rank *pari passu* on allotment and issue with the existing fully paid ordinary Shares of the Company;
- (d) the Shares to be issued will be allotted progressively as allottees are identified, however no Shares will be issued or allotted after the date which is three (3) months after the date of the Meeting.
- (e) the Company intends to use the funds raised by the issue of Shares the subject of Resolution 5, for general working capital purposes, current and potential projects, business development purposes, acquisition of new projects and consultancy fees.

7.3 Directors' Recommendation

None of the Directors have a material personal interest in the subject matter of Resolution 5. The Board recommends Shareholders vote in favour of Resolution 5 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. and will enable the Company to fund its ongoing commitments.

8. RESOLUTION 7 – APPROVAL OF ISSUE OF ANNEXURE C PERFORMANCE RIGHTS

Under Resolution 7 the Company is seeking Shareholder approval for the issue of 3,000,000 Annexure C Performance Rights to Mr Adrian Griffin, who is Managing Director. The Company has agreed to a new contract which includes these Performance Rights as part of the remuneration package and reflects the short-term and long-term nature of each hurdle.

The Annexure C Performance Rights will be issued for no consideration.

8.1 Background

General

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

The following 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 proposed to be issued under Resolution 7.

Annexure C Performance Rights

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

Annexure C Performance Rights

The Company has the aim of controlling a greater lithium inventory than any other company, setting an extremely high target for directors and management to achieve. To put the target into context, Australia's entire resource inventory (Reserves plus Resources) is estimated to be 17Mt lithium carbonate equivalent ("LCE") (U.S. Geological Survey, Mineral Commodity Summaries, January 2015). Under these circumstances, complete vesting of the Annexure C Performance Rights, is unlikely to occur until Lithium is close to achieving its goal of controlling the world's largest lithium inventory. The goals set are also significant on the world stage as global resources are thought to be about 65Mt LCE (USGS, 2014). Success in achieving the performance targets would certainly rate Lithium as one of the major participants in the industry which will then reflect in an increase in market capitalisation.

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

- (a) The Annexure C Performance Rights issued will not vest and the underlying Shares will not be issued until the specific performance target for each hurdle has been achieved. A total of 1m shares will be issued in the event that Mr Griffin is a Director as at 30 November 2016 and this is considered to be a short-term hurdle. A total of 2m shares will be issued in the event that the Company reaches a market capitalisation of \$50m whilst Mr Griffin remains a Director; and this is currently considered to be a long-term hurdle.

- (b) If the beneficiary of the Annexure C Performance Rights elects to resign prior to the vesting period, then the right to the underlying Shares is forfeited.
- (c) If the Director elects to resign then the right to the underlying Shares is forfeited.
- (d) If the Director's office as a director is terminated, then the Annexure C Performance Rights vest immediately upon the date of termination.

Approvals required

Shareholder approval is required under Listing Rule 10.11 which permits a Director to be issued new securities of the Company if Shareholder approval is obtained. Further, Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any 12 month period any equity securities, or other securities with rights to conversion to equity (such as Annexure C Performance Rights), if the number of those securities exceeds 15% of the number of ordinary securities on issue at the commencement of that 12 month period. One of the effects of Resolution 7 will be to allow the Company to issue the Annexure C Performance Rights that are the subject of Resolution 7 without using the Company's 15% annual placement capacity.

Pursuant to and in accordance with Listing Rule 10.13, the information below is provided in respect of the Annexure C Performance Rights proposed to be issued under Resolution 7.

8.2 ASX Listing Rule 10.11

ASX Listing Rule 10.11 provides that, subject to certain exemptions (none of which are relevant here), a company must not issue options to a related party without shareholder approval. Resolution 7 seeks this approval.

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

- (a) The Annexure C Performance Rights will be issued to Mr Adrian Griffin;
- (b) The maximum number of Annexure C Performance Rights issued will be a total of 3,000,000 to be issued to Mr Griffin, as set out in section 7.1, and the Annexure C Performance Rights vest into fully paid ordinary shares on a one-for-one basis on completion of each performance condition.
- (c) It is intended that the Annexure C Performance Rights will be issued as soon as practicable after the Meeting, but in any event within one month after the date of the Meeting; and
- (d) The Annexure C Performance Rights are being issued for no consideration. The terms and conditions of the Annexure C Performance Rights are set out in Annexure C. An estimate of the value of the Annexure C Performance Rights is set out in Annexure C.

8.3 Chapter 2E Corporations Act

Chapter 2E of the Corporations Act prohibits the Company from giving a financial benefit (which includes the issue of Annexure C 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, Mr Adrian Griffin is considered to be a related party of the Company, being a Director. The proposed issue of Annexure C Performance Rights to Mr

Adrian Griffin involves the provision of a financial benefit to a related party of the Company and, therefore, requires prior Shareholder approval.

The annual total remuneration packages including superannuation and non-cash benefits payable to Mr Adrian Griffin is as follows:

Director	Position	Total Remuneration package (p.a)	Estimated value of Annexure C Performance Rights (Annexure C)
Adrian Griffin	Managing Director	\$250,000	\$315,000

The following information is provided to Shareholders to enable them to assess the merits of Resolution 7:

- (a) If Resolution 7 is passed by Shareholders, it will permit the giving of a financial benefit to Mr Adrian Griffin, who is a Director.
- (b) The expiry date of the Annexure C Performance Rights is 1 July 2019.
- (c) The nature of the financial benefit proposed to be given is the issue of Annexure C Performance Rights for no consideration. The purpose of the issue is to provide cost effective consideration to Director for his contribution to the Company in his role.
- (d) All the Directors (other than Mr Adrian Griffin) recommend that Shareholders vote in favour of Resolution 7.
- (e) As at the date of this Notice, Mr Adrian Griffin holds the following relevant interests in the securities in the Company:

Director	Ordinary Shares	Partly Paid Contributing Shares	Current Unlisted Options held	Performance Rights	Performance Option Rights proposed to be issued	Shareholding on a fully diluted basis*
Adrian Griffin	4,496,850	1,832,976	6,500,000	4,050,000	3,000,000	8.82%

*Assuming Shareholders approve the issue of the Annexure C Performance Rights to Adrian Griffin that is subject to Resolution 7 and all current unlisted options are exercised.

- (f) If Shareholders approve Resolution 7 and all Annexure C Performance Rights are issued and exercised, depending on the prevailing Share price at the time the Annexure C Performance Rights are exercised (including all current unlisted Options held by Mr Adrian Griffin and the Performance Rights and Performance Option Rights currently held, it will dilute the holdings of existing Shareholders by approximately 25 %.
- (g) The Directors consider that the incentive represented by the issue of Annexure C Performance Rights is a cost effective and efficient incentive when compared to other forms of incentive such as cash, bonuses or increased remuneration.
- (h) The Board considers the issue of Annexure C Performance Rights to the Directors and employees is appropriate in the circumstances for the reasons set out below:
- (i) The Board has concluded that the totality of Mr Adrian Griffin's remuneration package, including the equity component of such number of Annexure C

Performance Rights proposed to be issued under Resolution 7 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 Mr Adrian Griffin's management experience and knowledge of the mineral exploration industry.

- (j) The primary purpose of the grant of Annexure C Performance Rights to Mr Adrian Griffin is to provide a market linked incentive package in his capacity as a Director and for the future performance by him. The Board considered the extensive corporate and exploration industry experience of Mr Griffin and the current market price of the Shares when determining the number and terms and conditions of the Annexure C Performance Rights to be put before the Shareholders for their approval. In addition the Board considers the proposed grant of the Annexure C Performance Rights to be put before the Shareholders to be reasonable and commercial in light of the circumstances of the Company given its size and stage of development, market practice of other companies in the mineral exploration and development 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. Accounting standards require that granted options be valued and expensed.
- (k) The Board does not consider that there are any significant opportunity costs to the Company, other than, if the Annexure C Performance Rights are exercised when the market price of the Shares is greater than the exercise price of the Annexure C Performance Rights, there will be a detriment as the Company will be required to issue Shares at a price lower than it might otherwise have been able to, with the result that less funds will be raised. Any funds raised from the exercise of Annexure C Performance Rights will supplement the Company's working capital requirements.
- (l) The Board does not consider that there are any material taxation consequences or benefits foregone by the Company as a result of issuing the Annexure C Performance Rights on the terms proposed.

Neither the Directors nor the Company is aware of any other information that would be reasonably required by Shareholders to make a decision as to whether it is in the best interests of the Company to pass Resolution 7.

8.4 Directors' Recommendation

Mr Adrian Griffin declines to make a recommendation to Shareholders in relation to Resolution 7 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 7.

Share price information:

Details	Date	Share Price
Market price of fully paid ordinary shares (LIT) in the Company (being the last Trading Day prior to the date of this Notice)	26 October 2015	\$0.105
During the three months immediately preceding the date of this Notice, the highest market price of Shares (LIT)	19 October 2015	\$0.13
During the three months immediately preceding the date of this Notice, the lowest market price of Shares (LIT)	26 August 2015 2 September 2015	\$0.053

GLOSSARY

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

\$ means Australian dollars.

10% Placement Capacity has the meaning given in section 4 of this Notice.

2015 Annual Report means the Company's annual report including the reports of the Directors and auditor and the financial statements of the Company for the financial year ended 30 June 2015, which can be downloaded from the Company's website at www.Lithiumau.com.au.

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

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

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

ASIC means Australian Securities and Investments Commission.

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

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

Board means the board of Directors.

Chair means the chairperson of the Meeting.

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

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

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

Constitution means the Company's constitution.

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

Directors means the current directors of the Company.

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

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

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

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

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

Notice means the notice of meeting accompanying this Explanatory Memorandum.

Option means an option to acquire a Share.

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

Proxy Form means the proxy form accompanying this Explanatory Memorandum.

Remuneration Report means that section of the Directors' report under the heading "Remuneration Report" set out in the 2015 Annual Report.

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

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

Shareholder means a shareholder of the Company.

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

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

WST means Western Standard Time.

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

ANNEXURE A - TERMS & CONDITIONS OF ANNEUXRE A PERFORMANCE RIGHTS

The terms of issue of the Annexure A Performance Rights are:

- 1) Each Annexure A Performance Right entitles the holder to be issued one Share on these terms of issue including the vesting conditions and the performance conditions.
- 2) The Annexure A Performance Rights will be issued for no consideration and subject to the achievement of the vesting conditions and the performance conditions set out below.
- 3) The Applicant may apply for the number of Annexure A Performance Rights specified in an Invitation by sending to the Company (marked for the attention of the Company Secretary) a duly signed and completed application (in the form attached to the Invitation).
- 4) An Annexure A Performance Right does not confer on the holder the right to receive dividends.
- 5) If the director elects to resign then the right to the underlying shares is forfeited.
- 6) If the director's office as director is terminated, then the Annexure A Performance Rights vest immediately upon the date of termination.
- 7) The Annexure A Performance Rights will not vest and the underlying Shares will not be issued unless the following performance conditions have been satisfied:-
 - (a) 320,000 Shares on reaching a JORC compliant resource containing 1,000,000t LCE and
 - (b) A further 400,000 Shares on reaching a JORC compliant resource containing 5,000,000t LCE and
 - (c) A further 400,000 Shares on reaching a JORC compliant resource containing 10,000,000t LCE.
- 8) If the above performance conditions are not met the Annexure A Performance Rights will lapse by 1 July 2019.
- 9) Annexure A Performance Rights automatically convert to Shares on the vesting date with no exercise price being payable and the Company will allot and issue the number of Shares specified in the notice of exercise within the time prescribed by the ASX Listing Rules.
- 10) All Annexure A Performance Rights issued immediately vest (to the extent they have not already vested or lapsed) and are immediately exercisable if:
 - (a) a takeover bid (as defined in the Corporations Act) to acquire Shares becomes, or is declared to be, unconditional, irrespective of whether or not the takeover bid extends to Shares issued and allotted after the date of the takeover bid;
 - (b) a change of Control of the Company occurs; or
 - (c) a merger by scheme of arrangement under the Corporations Act is approved by the court under section 411(4)(b) of the Corporations Act.
- 11) If the Company is required under relevant tax legislation to make withholdings on account of tax upon:
 - (a) the exercise of Annexure A Performance Rights; or
 - (b) the automatic conversion of Performance Rights to Shares,
 - (c) the Board must sell sufficient of the Shares which would otherwise be issued so that the net proceeds of sale equal the payment which the Company is required to pay to the appropriate authorities. This arrangement does not apply if the participant makes an alternative arrangement to the satisfaction of the Company.

- 12) If a participant ceases to be an eligible person after the vesting date due to the occurrence of any of the following events (each a **Prescribed Event**), the Annexure A Performance Rights held by that participant will lapse 6 months after the occurrence of that Prescribed Event (or such longer period as the Board may determine) or on the Expiry Date applicable to those Annexure A Performance Rights, whichever occurs first:
- (a) retirement or retrenchment of the participant, or if the participant is not an employee, the retirement or retrenchment of the employee by virtue of whom an eligible person holds Annexure A Performance Rights; or
 - (b) bankruptcy of the participant, or commencement of winding up or deregistration in respect of the participant; or
 - (c) the death of the participant, or if the participant is not an employee, the death of the employee by virtue of whom an eligible person holds Annexure A Performance Rights.

ANNEXURE B - TERMS & CONDITIONS OF PERFORMANCE OPTION RIGHTS

The terms of issue of the Performance Option Rights are:

- 1) Each Performance Option Right entitles the holder to be issued one Share on these terms of issue including the vesting conditions and the performance conditions.
- 2) The Performance Option Rights will be issued for \$0.15, \$0.20 and \$0.30 and subject to the achievement of the vesting conditions and the performance conditions set out below.
- 3) The Applicant may apply for the number of Performance Option Rights specified in an Invitation by sending to the Company (marked for the attention of the Company Secretary) a duly signed and completed application (in the form attached to the Invitation).
- 4) A Performance Option Right does not confer on the holder the right to receive dividends.
- 5) The Performance Option Rights will not vest and the underlying Shares will not be issued unless the following performance conditions have been satisfied:-
 - (a) 1,600,000 Performance Rights with an exercise price of \$0.15, on reaching a market capitalisation of greater than \$12,000,000 and
 - (b) 1,600,000 Performance Rights with an exercise price of \$0.20, on reaching a market capitalisation of greater than \$15,000,000 and
 - (c) 1,600,000 Performance Rights with an exercise price of \$0.30 on reaching a market capitalisation of greater than \$20,000,000.
- 6) If the above performance conditions are not met the Performance Option Rights will lapse by 1 July 2019.
- 7) Should the holder resign all Performance Option Rights will automatically lapse.
- 8) If the director's office as director is terminated, then the Performance Option Rights vest immediately upon the date of termination.
- 9) Performance Option Rights automatically convert to Shares on the vesting date with no exercise price being payable and the Company will allot and issue the number of Shares specified in the notice of exercise within the time prescribed by the ASX Listing Rules.
- 10) All Performance Option Rights issued immediately vest (to the extent they have not already vested or lapsed) and are immediately exercisable if:
 - (a) a takeover bid (as defined in the Corporations Act) to acquire Shares becomes, or is declared to be, unconditional, irrespective of whether or not the takeover bid extends to Shares issued and allotted after the date of the takeover bid;
 - (b) a change of Control of the Company occurs; or
 - (c) a merger by scheme of arrangement under the Corporations Act is approved by the court under section 411(4)(b) of the Corporations Act.

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

ANNEXURE C - TERMS & CONDITIONS OF ANNEXURE C PERFORMANCE RIGHTS

The terms of issue of the Annexure C Performance Rights are:

- 1) Each Annexure C Performance Right entitles the holder to be issued one Share on these terms of issue including the vesting conditions and the performance conditions.
- 2) The Annexure C Performance Rights will be issued for no consideration and subject to the achievement of the vesting conditions and the performance conditions set out below.
- 3) The Applicant may apply for the number of Annexure C Performance Rights specified in an Invitation by sending to the Company (marked for the attention of the Company Secretary) a duly signed and completed application (in the form attached to the Invitation).
- 4) An Annexure C Performance Right does not confer on the holder the right to receive dividends.
- 5) If the director elects to resign then the right to the underlying shares is forfeited.
- 6) If the director's office as director is terminated, then the Annexure C Performance Rights vest immediately upon the date of termination.
- 7) The Annexure C Performance Rights will not vest and the underlying Shares will not be issued unless each performance condition has been satisfied. The long-term and short-term hurdle is listed below however it should be noted that Mr Griffin must be a Director at the time that market capitalisation reaches \$50,000,000.
 - (a) Long-term incentive of 2,000,000 Shares on reaching a market capitalisation of \$50,000,000.
 - (b) Short-term incentive of 1,000,000 Shares in the event that Mr Griffin remains a Director for a period of 12 months from the date of this approval.

If the above performance conditions are not met the Annexure C Performance Rights will lapse by 1 July 2019.

- 8) Annexure C Performance Rights automatically convert to Shares on the vesting date with no exercise price being payable and the Company will allot and issue the number of Shares specified in the notice of exercise within the time prescribed by the ASX Listing Rules.
- 9) All Annexure C Performance Rights issued immediately vest (to the extent they have not already vested or lapsed) and are immediately exercisable if:
 - (a) a takeover bid (as defined in the Corporations Act) to acquire Shares becomes, or is declared to be, unconditional, irrespective of whether or not the takeover bid extends to Shares issued and allotted after the date of the takeover bid;
 - (b) a change of Control of the Company occurs; or
 - (c) a merger by scheme of arrangement under the Corporations Act is approved by the court under section 411(4)(b) of the Corporations Act.
- 10) If the Company is required under relevant tax legislation to make withholdings on account of tax upon:
 - (a) the exercise of Annexure C Performance Rights; or
 - (b) the automatic conversion of Performance Rights to Shares,
 - (c) the Board must sell sufficient of the Shares which would otherwise be issued so that the net proceeds of sale equal the payment which the Company is required to pay to the appropriate authorities. This arrangement does not apply if the participant makes an alternative arrangement to the satisfaction of the Company.

11) If a participant ceases to be an eligible person after the vesting date due to the occurrence of any of the following events (each a **Prescribed Event**), the Annexure C Performance Rights held by that participant will lapse 6 months after the occurrence of that Prescribed Event (or such longer period as the Board may determine) or on the Expiry Date applicable to those Annexure C Performance Rights, whichever occurs first:

- (a) retirement or retrenchment of the participant, or if the participant is not an employee, the retirement or retrenchment of the employee by virtue of whom an eligible person holds Annexure C Performance Rights; or
- (b) bankruptcy of the participant, or commencement of winding up or deregistration in respect of the participant; or
- (c) the death of the participant, or if the participant is not an employee, the death of the employee by virtue of whom an eligible person holds Annexure C Performance Rights.

Valuation

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

An indicative valuation for each Annexure C Performance Right as at 26 October 2015 has been calculated in accordance with the principles of AASB 2 and based on certain assumptions and has been determined to be 10.5 cents.

The valuation took into account the following matters:

- The valuation of Annexure C 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 Annexure C Performance Rights to be issued; they do not have an effect on the value of each Performance Right.
- Given that the Annexure C 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.

Based on the above valuation, the total value of the 3,000,000 Annexure C Performance Rights would be \$315,000.

The market price of the Company's Shares over the 15 days of trading on ASX up to and including 26 October 2015 has been between a minimum of 5.8 cents per Share to a maximum of 13 cents per Share. On 26 October 2015 the Shares closed at a price of 10.5 cents per Share.

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

ANNUAL GENERAL MEETING

I/We

of

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

appoint

Name of proxy

OR

the Chair of the Annual General Meeting as your proxy

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

AUTHORITY FOR CHAIR TO VOTE UNDIRECTED PROXIES ON REMUNERATION RELATED RESOLUTIONS

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

CHAIR'S VOTING INTENTION IN RELATION TO UNDIRECTED PROXIES

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

Voting on Business of the Annual General Meeting

		FOR	AGAINST	ABSTAIN
Resolution 1	Adoption of Remuneration Report	☐	☐	☐
Resolution 2	Re-election of Director – Bryan Dixon	☐	☐	☐
Resolution 3	Approval for additional placement capacity	☐	☐	☐
Resolution 4	Ratification of the issue of Shares	☐	☐	☐
Resolution 5	Ratification of the issue of Performance Rights and Performance Option Rights	☐	☐	☐
Resolution 6	Approval of Placement of Shares	☐	☐	☐
Resolution 7	Approval of the Issue of Performance Rights to Adrian Griffin	☐	☐	☐

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

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

Signature of Member(s): _____ **Date:** _____

Individual or Member 1

Sole Director/Company Secretary

Member 2

Director

Member 3

Director/Company Secretary

Contact Name: _____ **Contact Ph (daytime):** _____

E-mail Address: _____ **Consent for contact by e-mail** YES ☐ NO ☐

Instructions for Completing 'Appointment of Proxy' Form

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

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

4. Completion of a proxy form will not prevent individual Shareholders from attending the meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Form and attends the meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the meeting.
5. Where a Proxy Form or form of appointment of corporate representative is lodged and is executed under power of attorney, the power of attorney must be lodged in like manner as this proxy.
6. To vote by proxy, please complete and sign the Proxy Form enclosed and either send the Proxy Form :
 - (a) by post, to Lithium Australia NL, PO Box 588, Belmont WA 6984
 - (b) by facsimile, to the Company on facsimile number (08) 9475 0847; or
 - (c) by email, to the Company at info@Lithiumau.com.au

so that it is received not later than **10:00am WST on Saturday, 28 November 2015.**

Proxy forms received later than this time will be invalid.