Lithium Australia NL

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18 August 2015

Dear Option Holder,

Expiry of Option Series

This is a reminder that your options, exercisable at $0.0875, will be expiring on 2 September 2015 at the close of business.

On the other side of this page is a generic option exercise form should it be required.

Outlined below is the price history for the past three months.

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)	17 August 2015	$0.07
During the three months immediately preceding the date of this notice, the highest market price of fully paid ordinary shares (CXB) in the Company	23 June 2015	$0.096
During the three months immediately preceding the date of this notice, the lowest market price of fully paid ordinary shares (LIT) in the Company	11 August 2015	$0.055

Please call me closer to the option expiry date should you wish to discuss this.

Regards



Adrian Griffin
Managing Director

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LIT86909

LITHIUM AUSTRALIA NL

A C N 126 129 413

INCORPORATED IN WESTERN AUSTRALIA

APPLICATION FOR SHARES UPON EXERCISE OF OPTIONS

I/We _____

Security holder Reference Number (S.R.N) / Holder Identification Number (H.I.N) _____

Contact Telephone Number _____

The registered holder(s) of the Options hereby exercise my/our Option for:_____ _____
In figures In words

Ordinary Fully Paid Shares and enclose application money of $0.0875 per share $.....
(amount payable on exercise)

I/We whose full name(s) and address(es) appear above hereby apply for the number of Shares shown above. I/We agree to be bound by the Constitution of the Company.

Signature Of Option holder(s) (All joint holders must sign)	**Companies Only -** Executed in accordance with the Company's Constitution and the Corporations Law.	
✘ _____ Signature Date	✘ _____ Sole Director and Sole Secretary Date	
✘ _____ Signature Date	✘ _____ Director Date	✘ _____ Secretary Date
✘ _____ Signature Date	✘ _____ Director Date	✘ _____ Director Date
Note: If signed under Power of Attorney, a Certified Copy of the relevant Power of Attorney document must be exhibited to the Registry. The Attorney declares that he/she has had no notice of revocation of the Power of Attorney.		

TERMS AND CONDITIONS

(i) Each Option gives the holder the right to subscribe for one Share. To obtain the right given by each Option, the Option holder must exercise the Options in accordance with the terms and conditions of the Options. The Options have an expiry date that is 2 September 2015 (2 years less one day following the date of issue) (**Expiry Date**) and the exercise price is $0.0875 (125% of the VWAP for the 5 Trading Days preceding the date of the Meeting) (**Exercise Price**).

(ii) Any Option not exercised before the relevant Expiry Date will automatically lapse.

(iii) A holder may exercise their Options by lodging with the Company, before the relevant Expiry Date:

  (a) written notice of exercise of Options specifying the number of Options being exercised (**Exercise Notice**); and

  (b) cheque or electronic funds transfer for the relevant Exercise Price for the number of Options exercised.

(iv) An Exercise Notice is only effective when the Company has received the full amount of the relevant Exercise Price in cleared funds.

(v) Within 14 Business Days of receipt of the Exercise Notice accompanied by the relevant Exercise Price for the number of Options being exercised, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Options specified in the Exercise Notice.

(vi) All Shares issued upon the exercise of Options will rank pari passu in all respects with other Shares.

(vii) In the event the Company remains listed on ASX at the time of exercise of the Options, the Company will apply for quotation on ASX of all Shares issued on exercise of Options within 10 business days after the date of issue of those Shares.

(viii) If at any time the issued capital of the Company is reconstructed, all rights of a holder are to be changed in a manner consistent with the Corporations Act and the Listing Rules (if applicable) at the time of the reconstruction.

(ix) There are no participating rights or entitlements inherent in the Options and Option holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 7 business days after the issue is announced. This will give Option holders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.

(x) In the event the Company proceeds with a pro rata issue (except a bonus issue) of securities to Shareholders after the date of issue of the Options, the exercise price of the Options will be treated in accordance with the Listing Rules (if applicable).

(xi) In the event the Company proceeds with a bonus issue of securities to Shareholders after the date of issues of the Options, the number of securities over which a Option is exercisable may be increased by the number of securities which the Option holder would have received if the Option had been exercised before the record date for the bonus issue. The Exercise Price will not change as a result of the bonus issue.

Cheques should be made payable to **LITHIUM AUSTRALIA NL** and crossed "Not Negotiable" and drawn on an Australian Bank and posted to Advanced Share Registry Ltd, PO Box 1156, Nedlands, Western Australia 6909.

NOTE: OPTIONS NOT EXERCISED BY 02 SEPTEMBER 2015 WILL AUTOMATICALLY EXPIRE.