LITHIUM AUSTRALIA NL

ABN 29 126 129 413

NOTICE OF GENERAL MEETING

TIME: 10am WST

DATE: 12 September 2016

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 General Meeting will be held at **10am WST on 12 September 2016** at Level 1, 675 Murray Street, West Perth WA 6005.

YOUR VOTE IS IMPORTANT

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

VOTING IN PERSON

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

VOTING ONLINE

To vote online, please follow the instructions set out in Attachment A.

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

i. by voting online at www.advancedshare.com.au;

ii. by delivering it in person to Advanced Share Registry Limited, 110 Stirling Highway, Nedlands WA 6009;

iii. by post, to Advanced Share Registry Limited, PO Box 1156, Nedlands WA 6909;

iv. by facsimile to the Company's Share Registry on +61 8 9262 3723; or

v. by email to admin@advancedshare.com.au in pdf form.

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

Proxy Forms received later than this time will be invalid.

NOTICE OF GENERAL MEETING

Notice is given that the General Meeting of shareholders of Lithium Australia NL will be held at Level 1, 675 Murray Street, West Perth WA 6005 at 10am WST on 12 September 2016.

The Explanatory Memorandum provides additional information on matters to be considered at the 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 General Meeting are those who are registered Shareholders at 10am WST on 10 September 2016.

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

AGENDA

1. RESOLUTION 1 – RATIFICATION OF THE ISSUE OF 4,526,500 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 4,526,500 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.

2. RESOLUTION 2 – RATIFICATION OF THE ISSUE OF 13,648,075 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 13,648,075 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.

3. RESOLUTION 3 – RATIFICATION OF THE ISSUE OF 14,181,720 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 14,181,720 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 Lanstead Capital LP and its associates. 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.

4. RESOLUTION 4 – RATIFICATION OF THE ISSUE OF 4,800,000 LITAQ PARTLY PAID SHARES

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

> *"That, for the purpose of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify and approve the issue and allotment of 4,800,000 LITAQ Partly Paid 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 500,000 SHARES AND 500,000 LITAQ PARTLY PAID SHARES

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

> *"That, for the purpose of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify and approve the issue and allotment of 500,000 Shares and 500,000 LITAQ Partly Paid 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 Alix Resources Corp and its associates. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

6. RESOLUTION 6 – RATIFICATION OF THE ISSUE OF 500,000 SHARES

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

> *"That, for the purpose of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify and approve the issue and allotment of 500,000 Shares on the terms and conditions and in the manner set out in the Explanatory Memorandum."*

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Mr Peter Walker or Geowisdom Pty Ltd and their associates. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

7. RESOLUTION 7 – RATIFICATION OF THE ISSUE OF 500,000 LITAQ PARTLY PAID SHARES

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

> *"That, for the purpose of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify and approve the issue and allotment of 500,000 LITAQ Partly Paid 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 Mr Peter Walker or Geowisdom Pty Ltd and their associates. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

8. RESOLUTION 8 – APPROVAL OF THE ISSUE OF 9,000,000 SHARES

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

'That for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Directors to issue and allot 9,000,000 Shares to U.S. Masters Holdings Limited and/or its nominee(s) 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 U.S. Masters Holdings Limited and/or its nominee(s) 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.

DATED: 12 August 2016
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. RESOLUTION 1 – RATIFICATION OF THE ISSUE OF 4,526,500 SHARES

1.1 Background

On 15 January 2016 the Company announced that it had completed a placement of 18,174,575 Shares to clients of BW Equities Pty Ltd at an issue price of $0.14 per Share to raise approximately $2,500,000.

4,526,500 of the Shares issued to clients of BW Equities Pty Ltd were issued under the Company's 15% annual placement capacity under ASX Listing Rule 7.1 and are the subject of Resolution 1. The balance of the Shares issued to clients of BW Equities Pty Ltd, being 13,648,075 Shares, were issued under the Company's 10% annual placement capacity under ASX Listing Rule 7.1A and are the subject of Resolution 2.

Resolution 1 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 and for all other purposes of the issue of those 4,526,500 Shares.

1.2 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 an issue of securities made without approval under ASX Listing Rule 7.1 will be treated as having been made with shareholder approval for the purposes of those ASX Listing Rules if shareholders subsequently ratify it and the issue did not breach ASX Listing Rule 7.1. Accordingly, under Resolution 1 the Company is seeking shareholder ratification for the issue and allotment of 4,526,500 Shares issued under the Company's 15% share issue capacity under ASX Listing Rule 7.1.

The effect of such ratification is to restore the Company's discretionary power to issue further equity securities up to 15% of the number of ordinary shares on issue under ASX Listing Rule 7.1, if required, at the beginning of the relevant 12 month period without obtaining Shareholder approval.

1.3 ASX Listing Rule Disclosure Requirements

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to Resolution 1:

(a) The number of securities issued

4,526,500 Shares were issued.

(b) The price at which the securities were issued

The issue price per Share was $0.14.

(c) The terms of the securities

The Shares issued were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares.

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

The Shares were issued to clients of BW Equities Pty Ltd, who are not related parties of the Company.

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

The funds raised from this issue will be used for project development, process development, working capital and general corporate purposes.

1.4 Directors' recommendation

None of the Directors has a material personal interest in the subject matter of Resolution 1. 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 1 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.

2. RESOLUTION 2 – RATIFICATION OF THE ISSUE OF 13,648,075 SHARES

2.1 Background

As set out in section 1.1 above, on 15 January 2016 the Company announced that it had completed a placement of 18,174,575 Shares to clients of BW Equities Pty Ltd at an issue price of $0.14 per Share to raise approximately $2,500,000.

4,526,500 of the Shares issued to clients of BW Equities Pty Ltd were issued under the Company's 15% annual placement capacity under ASX Listing Rule 7.1 and are the subject of Resolution 1. The balance of the Shares issued to clients of BW Equities Pty Ltd, being 13,648,075 Shares, were issued under the Company's 10% annual placement capacity under ASX Listing Rule 7.1A and are the subject of Resolution 2.

Resolution 2 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 and for all other purposes of the issue of those 13,648,075 Shares.

2.2 ASX Listing Rule 7.4

ASX Listing Rule 7.1A provides that Eligible Entities may seek shareholder approval at its AGM to issue equity securities up to a further 10% of its issued share capital over a 12 month period after the Eligible Entity's annual general meeting ("**10% share issue capacity**"). The Company is an Eligible Entity and sought and received Shareholder approval to the 10% share issue capacity at its AGM on 30 November 2015. The Shareholder approval is valid for 12 months from the date of the AGM (that is, until 30 November 2016).

ASX Listing Rule 7.4 provides that an issue of securities made without approval under ASX Listing Rule 7.1A will be treated as having been made with shareholder approval for the purposes of those ASX Listing Rules if shareholders subsequently ratify it and the issue did not breach ASX Listing Rule 7.1A. Accordingly, under Resolution 2 the Company is seeking shareholder ratification for the issue and allotment of 13,648,075 Shares issued under the Company's 10% share issue capacity under ASX Listing Rule 7.1A.

The effect of such ratification is to restore the Company's discretionary power to issue further equity securities up to an additional 10% of the number of ordinary shares on issue under ASX Listing Rule 7.1A, if required, at the beginning of the relevant 12 month period without obtaining Shareholder approval.

2.3 ASX Listing Rule Disclosure Requirements

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to Resolution 2:

(a) The number of securities issued

13,648,075 Shares were issued.

(b) The price at which the securities were issued

The issue price per Share was $0.14.

(c) The terms of the securities

The Shares issued were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares.

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

The Shares were issued to clients of BW Equities Pty Ltd, who are not related parties of the Company.

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

The funds raised from this issue will be used for project development, process development, working capital and general corporate purposes.

2.4 Directors' recommendation

None of the Directors has a material personal interest in the subject matter of Resolution 2. 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 2 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.

3. RESOLUTION 3 – RATIFICATION OF THE ISSUE OF 14,181,720 SHARES

3.1 Background

On 20 January 2016 the Company announced that it had completed a placement of 30,000,000 Shares to Lanstead Capital LP at an issue price of $0.14 per Share to raise approximately $4,000,000.

14,181,720 of the Shares were issued without prior Shareholder approval under the Company's 15% annual placement capacity under ASX Listing Rule 7.1 and are the subject of Resolution 3. The balance of the 30,000,000 Shares were issued pursuant to Shareholder approval obtained under ASX Listing Rule 7.3 at the Company's 2015 Annual General Meeting.

Resolution 3 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 and for all other purposes of the issue of those 14,181,720 Shares.

3.2 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 an issue of securities made without approval under ASX Listing Rule 7.1 will be treated as having been made with shareholder approval for the purposes of those ASX Listing Rules if shareholders subsequently ratify it and the issue did not breach ASX Listing Rule 7.1. Accordingly, the Company is seeking shareholder ratification for the issue and allotment of 14,181,720 Shares issued under the Company's 15% share issue capacity under ASX Listing Rule 7.1.

The effect of such ratification is to restore the Company's discretionary power to issue further equity securities up to 15% of the number of ordinary shares on issue under ASX Listing Rule 7.1 if required, at the beginning of the relevant 12 month period without obtaining Shareholder approval.

3.3 ASX Listing Rule Disclosure Requirements

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to Resolution 3:

(a) The number of securities issued

14,181,720 Shares were issued.

(b) The price at which the securities were issued

The issue price per Share was $0.14.

(c) The terms of the securities

The Shares issued were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares.

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

The Shares were issued to Lanstead Capital LP, which is not a related party of the Company.

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

The funds raised from this issue will be used for project development, process development, working capital and general corporate purposes.

3.4 Directors' recommendation

None of the Directors has a material personal interest in the subject matter of Resolution 3. 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 3 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.

4. RESOLUTION 4 – RATIFICATION OF THE ISSUE OF 4,800,000 LITAQ PARTLY PAID SHARES

4.1 Background

On 11 May 2016 the Company issued:

(a) 4,500,000 LITAQ Partly Paid Shares to brokers as consideration for services rendered to the Company in respect of the placement that is the subject of Resolution 1 and Resolution 2; and

(b) 300,000 LITAQ Partly Paid Shares to a consultant for services provided to the Company.

The Company issued the 4,800,000 LITAQ Partly Paid Shares without prior Shareholder approval under the Company's 15% annual placement capacity under ASX Listing Rule 7.1.

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

4.2 ASX Listing Rule 7.4

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

ASX Listing Rule 7.4 provides that an issue of securities made without approval under ASX Listing Rule 7.1 will be treated as having been made with shareholder approval for the purposes of those ASX Listing Rules if shareholders subsequently ratify it and the issue did not breach ASX Listing Rule 7.1. Accordingly, the Company is seeking shareholder ratification for the issue and allotment of 4,800,000 LITAQ Partly Paid Shares issued under the Company's 15% share issue capacity under ASX Listing Rule 7.1.

The effect of such ratification is to restore the Company's discretionary power to issue further equity securities up to 15% of the number of ordinary shares on issue under ASX Listing Rule 7.1 if required, at the beginning of the relevant 12 month period without obtaining Shareholder approval.

4.3 ASX Listing Rule Disclosure Requirements

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

(a) The number of securities issued

4,800,000 LITAQ Partly Paid Shares were issued.

(b) The price at which the securities were issued

The LITAQ Partly Paid Shares were issued for no consideration as they were issued in consideration for services rendered to the Company.

(c) The terms of the securities

The LITAQ Partly Paid Shares are partly paid contributing shares in the capital of the Company, paid to AUD$0.0001 each (AUD$0.2499 unpaid). The full terms

and conditions of the LITAQ Partly Paid Shares are set out in Annexure A to this Explanatory Memorandum.

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

The LITAQ Partly Paid Shares were issued to brokers and a consultant who rendered services to the Company and their nominees, who are not related parties of the Company.

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

No funds were raised from the issue of the LITAQ Partly Paid Shares as they were issued for no consideration. If the unpaid balance of the LITAQ Partly Paid Shares is paid up, the funds received will be used for project development, process development, working capital and general corporate purposes.

4.4 Directors' recommendation

None of the Directors has a material personal interest in the subject matter of Resolution 4. The Board believes that the ratification of the issue of the LITAQ Partly Paid 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.

5. RESOLUTION 5 – RATIFICATION OF THE ISSUE OF 500,000 SHARES AND 500,000 LITAQ PARTLY PAID SHARES

5.1 Background

As announced by the Company on 19 April 2016, the Company has entered into a joint venture with Alix Resources Corp (TSX:AIX) in relation the Electra Project in Mexico. As part of the consideration for the entry into that joint venture agreement, the Company agreed to issue and allot 500,000 Shares and 500,000 LITAQ Partly Paid Shares to Alix Resources Corp, which took place on 11 May 2016.

The Company issued the 500,000 Shares and the 500,000 LITAQ Partly Paid Shares without prior Shareholder approval under the Company's 15% annual placement capacity under ASX Listing Rule 7.1.

Resolution 5 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 and for all other purposes of the issue of those Shares and LITAQ Partly Paid 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 an issue of securities made without approval under ASX Listing Rule 7.1 will be treated as having been made with shareholder approval for the purposes of those ASX Listing Rules if shareholders subsequently ratify it and the issue did not breach ASX Listing Rule 7.1. Accordingly, the Company is seeking shareholder ratification for the issue and allotment of 500,000 Shares and 500,000 LITAQ Partly Paid Shares issued under the Company's 15% share issue capacity under ASX Listing Rule 7.1.

The effect of such ratification is to restore the Company's discretionary power to issue further equity securities up to 15% of the number of ordinary shares on issue under ASX Listing Rule 7.1 if required, at the beginning of the relevant 12 month period without obtaining Shareholder approval.

5.3 ASX Listing Rule Disclosure Requirements

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to Resolution 5:

(a) The number of securities issued

500,000 Shares and 500,000 LITAQ Partly Paid Shares were issued.

(b) The price at which the securities were issued

The Shares and the LITAQ Partly Paid Shares were issued for no consideration as they were issued to Alix Resources Corp in consideration for the entry into the Electra Project joint venture agreement.

(c) The terms of the securities

The Shares issued were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares.

The LITAQ Partly Paid Shares are partly paid contributing shares in the capital of the Company, paid to AUD$0.0001 each (AUD$0.2499 unpaid). The full terms and conditions of the LITAQ Partly Paid Shares are set out in Annexure A to this Explanatory Memorandum.

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

Alix Resources, which is not a related party of the Company.

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

No funds were raised from the issue of the Shares or the LITAQ Partly Paid Shares as they were issued for no consideration. If the unpaid balance of the LITAQ Partly Paid Shares is paid up, the funds received will be used for project development, process development, working capital and general corporate purposes.

5.4 Directors' recommendation

None of the Directors has a material personal interest in the subject matter of Resolution 5. The Board believes that the ratification of the issue of the Shares and LITAQ Partly Paid Shares is beneficial for the Company. 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.

6. RESOLUTION 6 – RATIFICATION OF THE ISSUE OF 500,000 SHARES

6.1 Background

As announced by the Company on 25 July 2016, the Company has purchased a company called Lithophile Pty Ltd which holds tenement applications in the Gascoyne area. As part of the consideration, the Company agreed to issue and allot 500,000 Shares and 500,000 LITAQ Partly Paid Shares to the shareholders of Lithophile Pty Ltd, Mr Peter Walker and Geowisdom Pty Ltd, which took place on 21 July 2016.

The Company issued the 500,000 Shares which are the subject of Resolution 6 without prior Shareholder approval under the Company's additional 10% annual placement capacity under ASX Listing Rule 7.1A. The 500,000 LITAQ Partly Paid Shares were issued without prior Shareholder approval under the Company's 15% annual placement capacity under ASX Listing Rule 7.1 and are the subject of Resolution 7.

Resolution 6 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 and for all other purposes of the issue of those 500,000 Shares.

6.2 ASX Listing Rule 7.4

ASX Listing Rule 7.1A provides that Eligible Entities may seek shareholder approval at its AGM to issue equity securities up to a further 10% of its issued share capital over a 12 month period after the Eligible Entity's annual general meeting ("**10% share issue capacity**"). The Company is an Eligible Entity and sought and received Shareholder approval to the 10% share issue capacity at its AGM on 30 November 2015. The Shareholder approval is valid for 12 months from the date of the AGM (that is, until 30 November 2016).

ASX Listing Rule 7.4 provides that an issue of securities made without approval under ASX Listing Rule 7.1A will be treated as having been made with shareholder approval for the purposes of those ASX Listing Rules if shareholders subsequently ratify it and the issue did not breach ASX Listing Rule 7.1A. Accordingly, the Company is seeking Shareholder ratification for the issue and allotment of 500,000 Shares issued under the Company's 10% share issue capacity under ASX Listing Rule 7.1A.

The effect of such ratification is to restore the Company's discretionary power to issue further equity securities up to 10% of the number of ordinary shares on issue under ASX Listing Rule 7.1A if required, at the beginning of the relevant 12 month period without obtaining Shareholder approval.

6.3 ASX Listing Rule Disclosure Requirements

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to Resolution 6:

(a) The number of securities issued

500,000 Shares were issued.

(b) The price at which the securities were issued

The Shares were issued for no consideration as they were issued to shareholders of Lithophile Pty Ltd in consideration for the purchase of the company. The deemed issue price for the Shares was $0.281677 per Share.

(c) The terms of the securities

The Shares issued were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares.

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

Mr Peter Walker and Geowisdom Pty Ltd, who are not related parties of the Company.

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

No funds were raised from the issue of the Shares as they were issued for no consideration.

6.4 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 Shares 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 7 – RATIFICATION OF THE ISSUE OF 500,000 LITAQ PARTLY PAID SHARES

7.1 Background

As set out in section 6.1 above, the Company has purchased a company called Lithophile Pty Ltd which holds tenement applications in the Gascoyne area. The 500,000 LITAQ Partly Paid Shares that were part of the consideration payable to the shareholders of Lithophile Pty Ltd, Mr Peter Walker and Geowisdom Pty Ltd, are the subject of Resolution 7.

The Company issued the 500,000 LITAQ Partly Paid Shares without prior Shareholder approval under the Company's 15% annual placement capacity under ASX Listing Rule 7.1.

Resolution 7 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 and for all other purposes of the issue of those 500,000 LITAQ Partly Paid Shares.

7.2 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 an issue of securities made without approval under ASX Listing Rule 7.1 will be treated as having been made with shareholder approval for the purposes of those ASX Listing Rules if shareholders subsequently ratify it and the issue did not breach ASX Listing Rule 7.1. Accordingly, the Company is seeking Shareholder ratification for the issue and allotment of 500,000 LITAQ Partly Paid Shares issued under the Company's 15% share issue capacity under ASX Listing Rule 7.1.

The effect of such ratification is to restore the Company's discretionary power to issue further equity securities up to 15% of the number of ordinary shares on issue under ASX Listing Rule 7.1 if required, at the beginning of the relevant 12 month period without obtaining Shareholder approval.

7.3 ASX Listing Rule Disclosure Requirements

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to Resolution 7:

(a) The number of securities issued

500,000 LITAQ Partly Paid Shares were issued.

(b) The price at which the securities were issued

The LITAQ Partly Paid Shares were issued for no consideration as they were issued to shareholders of Lithophile Pty Ltd in consideration for the purchase of the company. The deemed issue price for the LITAQ Partly Paid Shares was $0.031777 per LITAQ Partly Paid Share.

(c) The terms of the securities

The LITAQ Partly Paid Shares are partly paid contributing shares in the capital of the Company, paid to AUD$0.0001 each (AUD$0.2499 unpaid). The full terms and conditions of the LITAQ Partly Paid Shares are set out in Annexure A to this Explanatory Memorandum.

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

Mr Peter Walker and Geowisdom Pty Ltd, who are not related parties of the Company.

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

No funds were raised from the issue of the LITAQ Partly Paid Shares as they were issued for no consideration. If the unpaid balance of the LITAQ Partly Paid Shares is paid up, the funds received will be used for project development, process development, working capital and general corporate purposes.

7.4 Directors' recommendation

None of the Directors has a material personal interest in the subject matter of Resolution 7. The Board believes that the ratification of the issue of the LITAQ Partly Paid Shares is beneficial for the Company. The Board recommends Shareholders vote in favour of Resolution 7 as it provides the Company with the flexibility to issue, subject to the limits under the ASX Listing Rules, further securities during the next 12 months without Shareholder approval.

8. RESOLUTION 8 – APPROVAL OF THE ISSUE OF 9,000,000 SHARES

As announced by the Company on 20 June 2016 and subject to any required regulatory approvals, the Company has entered into an agreement with U.S. Masters Holdings Limited (ASX:USH) (**USH**) under which the Company will acquire the lithium rights in certain tenements held by USH and USH will acquire gold and nickel rights in a tenement applied for by the Company (subject to the grant of that tenement). Resolution 8 seeks Shareholder approval for the issue and allotment of 9,000,000 Shares to U.S. Masters Holdings Limited and/or its nominee(s) as consideration under that agreement.

8.1 ASX Listing Rule 7.1

ASX Listing Rule 7.1 requires the Company to obtain Shareholder approval in order to issue equity securities representing more than 15% of the Shares on issue (unless one of the exceptions in ASX Listing Rule 7.2 applies). The Company's proposed issue of the Shares that are the subject of Resolution 8 falls within this requirement as none of the exceptions apply.

8.2 ASX Listing Rule disclosure requirements

The following information is provided in accordance with ASX Listing Rule 7.3:

(a) Maximum number of securities the entity is to issue (if known) or the formula for calculating the number of securities the entity is to issue

9,000,000 Shares.

(b) Date by which the entity will issue the securities (which must be no later than 3 months after the date of the meeting)

The Shares will be issued not later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that all of the Shares will be issued on the same date.

(c) Issue price of the securities, which must be either a fixed price or a minimum price

Nil. The Shares were issued for no consideration as they formed part of the consideration under the agreement with U.S. Masters Holdings Limited detailed above.

(d) Names of the persons to whom the Company will issue the securities (if known) or the basis upon which those persons will be identified or selected

U.S. Masters Holdings Limited and/or its nominee(s).

(e) The terms of the securities

The Shares will be fully paid ordinary shares ranking equally in all respects with all other Shares on issue and will be listed on ASX.

(f) Intended use of the funds raised

No funds will be raised from the issue of the Shares as they are being issued as consideration under the agreement with U.S. Masters Holdings Limited detailed above.

8.3 Directors' Recommendation

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

GLOSSARY

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

$ means Australian dollars.

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.

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.

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

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

LITAQ Partly Paid Shares means a partly paid contributing share in the capital of the Company, paid to AUD$0.0001 each (AUD$0.2499 unpaid), the terms and conditions of which are set out in Annexure A.

Notice means the notice of meeting accompanying this Explanatory Memorandum.

Option means an option to acquire a Share.

Proxy Form means the proxy form accompanying this Explanatory Memorandum.

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 and Conditions of LITAQ Partly Paid Shares

The LITAQ 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 LITAQ Partly Paid Shares are paid up to.

(a) Each LITAQ Partly Paid Share:

(i) will be allotted and issued at a total issue price of $0.25 per LITAQ 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 LITAQ 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 LITAQ Partly Paid Shares held (**Unpaid Amount**) by delivering to the Company's registered office:

(i) A notice stating the number of LITAQ 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 LITAQ 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 LITAQ Partly Paid Shares for the Unpaid Amount so that they become fully paid ordinary shares and deliver updated holding statements to the LITAQ Partly Paid Share holder.

(b) At least 15 Business Days' notice of any call will be provided to LITAQ Partly Paid Shareholders.

(c) An application for Quotation of the LITAQ Partly Paid Shares will be made in accordance with and subject to the ASX 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 LITAQ 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.

In accordance with Part 2H.3 of the Corporations Act and the ASX Listing Rules, LITAQ Partly Paid Shareholders do not have a contractual obligation to pay calls in respect of the unpaid amount on their LITAQ Partly Paid Shares. However, the LITAQ 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 LITAQ Partly Paid Shares may then be sold by the Company by public auction in accordance with the Corporations Act.

PROXY FORM
LITHIUM AUSTRALIA NL
ABN 29 126 129 413

GENERAL MEETING

I/We _____

of _____

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

Name of proxy

OR ☐ the Chair of the General Meeting as your proxy

or failing the person so named or, if no person is named, the Chair of the 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 General Meeting to be held at Level 1, 675 Murray Street, Perth WA at 10am WST on 12 September 2016, and at any adjournment thereof.

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 General Meeting

		FOR	AGAINST	ABSTAIN
Resolution 1	Ratification of the issue of 4,526,500 Shares	☐	☐	☐
Resolution 2	Ratification of the issue of 13,648,075 Shares	☐	☐	☐
Resolution 3	Ratification of the issue of 14,181,720 Shares	☐	☐	☐
Resolution 4	Ratification of the issue of 4,800,000 LITAQ Partly Paid Shares	☐	☐	☐
Resolution 5	Ratification of the issue of 500,000 Shares and 500,000 LITAQ Partly Paid Shares	☐	☐	☐
Resolution 6	Ratification of the issue of 500,000 Shares	☐	☐	☐
Resolution 7	Ratification of the issue of 500,000 LITAQ Partly Paid Shares	☐	☐	☐
Resolution 8	Approval of the issue of 9,000,000 Shares	☐	☐	☐

Please note: If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not to be counted in computing the required majority on a poll.
If two proxies are being appointed, the proportion of voting rights this proxy represents is _____%

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

Individual or Member 1	**Member 2**	**Member 3**
Sole Director/Company Secretary	**Director**	**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 voting online at www.advancedshare.com.au;

(b) by delivering it in person to Advanced Share Registry Limited, 110 Stirling Highway, Nedlands WA 6009;

(c) by post, to Advanced Share Registry Limited, PO Box 1156, Nedlands WA 6909;

(d) by facsimile to facsimile number (08) 9262 3723; or

(e) by email, to admin@advancedshare.com.au in PDF form,

so that it is received not later than **10am WST** on **10 September 2016**.

Proxy forms received later than this time will be invalid.