



**Lithex Resources Limited
ACN 140 316 463**

Notice of General Meeting

**General Meeting of Shareholders to be held at Level 1,
330 Churchill Avenue, Subiaco, Western Australia on
5 April 2016, commencing at 11.00am (WST).**

Important

This Notice of General Meeting should be read in its entirety. If Shareholders are in doubt as to how to vote, they should seek advice from their professional adviser prior to voting.

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NOTICE OF GENERAL MEETING

Notice is given that a general meeting of the shareholders of Lithex Resources Limited ACN 140 316 463 (**Company**) will be held at Level 1, 330 Churchill Avenue, Subiaco, Western Australia on Tuesday, 5 April 2016, commencing at 11.00am (WST). The Explanatory Statement that accompanies and forms part of this Notice of General Meeting describes in more detail the Resolutions to be considered.

Business

Resolution 1: Issue of Shares to the Placement Applicants

To consider and, if thought fit, to pass the following Resolution as an **ordinary resolution**:

“That, for the purposes of Listing Rule 7.4 and for all other purposes, the issue of 33,908,108 Shares to the Placement Applicants at an issue price of \$0.024 each as set out in the Explanatory Memorandum is hereby approved and ratified.”

Voting exclusion statement

The Company will disregard any votes cast on this Resolution by any person who participated in the issue of securities, and any associates 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.

Resolution 2: Issue of Broker Options to CPS Capital Group Pty Ltd

To consider and, if thought fit, to pass the following Resolution as an **ordinary resolution**:

“That, for the purposes of Listing Rule 7.1, and for all other purposes, approval be given for the issue of up to 8,000,000 Broker Options to CPS Capital Group Pty Ltd (and/or its nominees) in consideration of services provided to the Company, on the terms and conditions set out in the Explanatory Statement.”

Voting exclusion statement

The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit (except a benefit solely in the capacity of a Shareholder) if the Resolution 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.

Resolution 3: Issue of Broker Options to Jason Peterson

To consider and, if thought fit, to pass the following Resolution as an **ordinary resolution**:

“That, for the purposes of Listing Rule 10.11, and for all other purposes, approval be given for the issue of up to 2,500,000 Broker Options to Jason Peterson (and/or his nominees) as a nominee of CPS Capital Group Pty Ltd in consideration of services provided to the Company, on the terms and conditions set out in the Explanatory Statement.”

Voting exclusion statement

The Company will disregard any votes cast on this Resolution by Jason Peterson, and any associate of that person.

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.

Resolutions 4(a), (b) and (c): Issue of Incentive Options to Directors

To consider and, if thought fit, to pass each of the following Resolutions as a separate **ordinary resolution**:

“That, for the purposes of section 208 of the Corporations Act and Listing Rule 10.11, and for all other purposes, approval be given for the issue of:

- (a) 1,000,000 Incentive Options to David Wheeler (and/or his nominees);
- (b) 1,000,000 Incentive Options to Joe Graziano (and/or his nominees); and
- (c) 1,000,000 Incentive Options to Paula Cowan (and/or her nominees),

on the terms and conditions set out in the Explanatory Statement.”

Voting exclusion statement

The Company will disregard any votes cast on these Resolutions by David Wheeler, Joe Graziano and Paula Cowan and any associate of any 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.

Resolution 5: Issue of Incentive Options to Peter Webse

To consider and, if thought fit, to pass the following Resolution as an **ordinary resolution**:

“That, for the purposes of Listing Rule 7.1, and for all other purposes, approval be given for the issue of up to 1,000,000 Incentive Options to Peter Webse (and/or his nominees) on the terms and conditions set out in the Explanatory Statement.”

Voting exclusion statement

The Company will disregard any votes cast on this Resolution by Peter Webse, and any associate of that person.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form; or
- it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Resolution 6: Cancellation of Shares issued to Related Applicants

To consider and, if thought fit, to pass the following Resolution as a **special resolution**:

“That, for the purpose of Section 256C(2) of the Corporations Act, and for all other purposes, approval be given for the Company to make a selective reduction of its capital and cancel 5,470,607 Shares with effect from the date that is 14 days after this Resolution is lodged with ASIC, on the terms and conditions set out in the Explanatory Statement.”

Voting exclusion statement

The Company will disregard any votes cast on this Resolution by any person who is to receive consideration as part of the reduction or whose liability to pay amounts unpaid on the Shares is to be reduced, and any associate of any 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.

Resolution 7: Issue of Shares to Related Applicants

Note: Resolution 7 is conditional on, and subject to, Resolution 6 being passed. Resolution 7 will be deemed to have been withdrawn and the result of the vote on Resolution 7 will not be valid if Resolution 6 is not passed. Please refer to the Explanatory Statement for further information.

To consider and, if thought fit, to pass the following Resolution as an **ordinary resolution**:

“That, subject to Resolution 6 being passed, for the purposes of Listing Rule 10.11, and for all other purposes, approval be given for the issue of:

- *4,166,667 Shares to Jason Peterson and Lisa Peterson as trustees for the J&L Peterson Superannuation Fund;*
- *470,607 Shares to Professional Payment Services Pty Ltd; and*
- *833,333 Shares to Celtic Capital Pty Ltd <Celtic Capital No. 2 Account>,*

at an issue price of \$0.024 each, on the terms and conditions set out in the Explanatory Statement.”

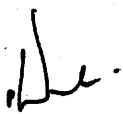
Voting exclusion statement

The Company will disregard any votes cast on these Resolutions by the Related Applicants, and any associate of any 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.

By order of the Board



Peter Webse
Company Secretary
Lithex Resources Limited

1 March 2016

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of the shareholders of Lithex Resources Limited ACN 140 316 463 (**Company**) in connection with the Resolutions to be considered at the General Meeting to be held at Level 1, 330 Churchill Avenue, Subiaco, Western Australia on Tuesday, 5 April 2016, commencing at 11.00am (WST).

The purpose of this Explanatory Statement is to provide Shareholders with all information known to the Company which is material to a decision on how to vote on the Resolutions in the accompanying Notice of General Meeting.

This Notice should be read in its entirety. If Shareholders are in doubt as to how to vote, they should seek advice from their professional adviser prior to voting.

Capitalised terms used in this Notice have the meaning given to them in the Definitions section.

1. Voting

1.1 Proxies

Please note that:

- a Shareholder entitled to attend and vote at the General Meeting is entitled to appoint not more than two proxies. Each proxy will have the right to vote on a poll and also speak at the Meeting;
- a proxy need not be a member of the Company;
- a Shareholder may appoint a body corporate or an individual as its proxy;
- a body corporate appointed as a Shareholder's proxy may appoint an individual as its representative to exercise any of the powers that the body may exercise as the Shareholder's proxy; and
- Shareholders entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

The enclosed Proxy Form provides further details on appointing proxies and lodging Proxy Forms. If a Shareholder appoints a body corporate as its proxy and the body corporate wishes to appoint an individual as its representative, the body corporate should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that company's representative. The authority may be sent to the Company or its share registry in advance of the General Meeting or handed in at the General Meeting when registering as a corporate representative.

Members of the Key Management Personnel will not be able to vote as proxy on Resolutions 4(a) to (c) unless the Shareholder directs them how to vote or, in the case of the Chair, unless the Shareholder expressly authorises him to do so. If a Shareholder intends to appoint a member of the Key Management Personnel (other than the Chair) as its proxy, the Shareholder should ensure that it directs the member of Key Management Personnel how to vote on Resolutions 4(a) to (c).

If a Shareholder intends to appoint the Chair as its proxy for Resolutions 4(a) to (c), the Shareholder can direct the Chair how to vote by marking one of the boxes for those Resolutions (for example, if the Shareholder wishes to vote 'for', 'against' or to 'abstain' from voting). If the Shareholder does not direct the Chair how to vote, then by submitting the Proxy Form, the Shareholder will be expressly authorising the Chair to exercise the proxy in respect of Resolutions 4(a) to (c) even though it is connected to the remuneration of members of the Key Management Personnel.

To vote by proxy, please complete and sign the enclosed Proxy Form and send by:

- post to the Company at Level 1, 330 Churchill Avenue, Subiaco, WA 6008;
- facsimile to the Company on +61 8 9227 6390; or
- email to the Company Secretary at peter.webse@pcscorporate.com.au,

so that it is received by no later than 11.00am (WST) on Sunday, 3 April 2016. Proxy Forms received later than this time will be invalid.

1.2 Voting entitlements

In accordance with Regulations 7.11.37 and 7.11.38 of the *Corporations Regulations 2001* (Cth), the Board has determined that a person's entitlement to vote at the General Meeting will be the entitlement of that person set out in the register of Shareholders as at 11.00am (WST) on Sunday, 3 April 2016. Accordingly, transactions registered after this time will be disregarded in determining Shareholder's entitlement to attend and vote at the General Meeting.

2. Resolution 1: Issue of Shares to the Placement Applicants

2.1 Background

On 8 February 2016, the Company lodged a prospectus with ASIC for the offer of 33,908,108 Shares at an issue price of \$0.024 each to raise \$813,794.59 (before costs). The Company issued the Shares on 11 and 15 February 2016 using its placement capacity under Listing Rules 7.1 and 7.1A.

The Company is seeking Shareholder approval to ratify the prior issue of 33,908,108 Shares under the Placement to the Placement Applicants in accordance with Listing Rule 7.4.

The Company notes that 5,470,607 of these Shares were inadvertently issued to the Related Applicants in breach of Listing Rule 10.11. The Company is seeking Shareholder approval to cancel and re-issue these Shares under Resolutions 6 and 7. Please see Sections 7 and 8 for further information.

2.2 Listing Rule 7.4

Listing Rule 7.1 provides that, subject to certain exceptions, prior approval of shareholders is required for an issue of securities by a company if those securities, when aggregated with the securities issued by the company during the previous 12 months (without approval and which were not subject to an exception), exceed 15% of the number of shares on issue at the commencement of that 12 month period.

Shareholders passed a special resolution under Listing Rule 7.1A at the Company's annual general meeting on 30 November 2015 which essentially provides the Company with additional Share placement capacity equal to 10% of its issued capital.

Listing Rule 7.4 provides that where a company ratifies a prior issue of securities, the issue will be treated as having been made with approval for the purpose of Listing Rule 7.1, thereby replenishing the company's 15% capacity and enabling it to issue further securities up to that limit. In addition, prior issues of securities under Listing Rule 7.1A can be ratified under Listing Rule 7.4 to replenish a company's additional 10% placement capacity and enable it to issue further Shares up to that limit.

Resolution 1 proposes the ratification of the issue of 33,908,108 Shares under the Placement for the purpose of satisfying the requirements of Listing Rule 7.4. If Resolution 1 is approved, the Shares will not be included in the Company's 15% calculation for the purposes of Listing Rule 7.1 or its 10% calculation for the purposes of Listing Rule 7.1A.

As required by Listing Rule 7.5, the following information is provided in relation to Resolution 1.

(a) **Number of securities issued**

33,908,108 Shares.

(b) **Price at which the securities were issued**

\$0.024 each.

(c) **Terms of the securities**

The Shares issued under the Placement rank equally in all respects with other Shares on issue.

(d) **Name of the persons to whom the entity will issue the securities or the basis on which those persons were determined**

The Shares were issued to the Placement Applicants, being clients of, or investors introduced by, CPS Capital.

(e) **Intended use of the funds raised**

The Company intends to use the funds raised under the Placement for:

- (i) the expenses of the Placement;
- (ii) costs associated with evaluating new acquisitions or investment opportunities (including due diligence costs); and
- (iii) working capital, which may include wages, payments to contractors, rents and outgoings, insurance, accounting, audit, legal and listing fees, other items of a general administrative nature and cash reserves which may be used in connection with any project, investment or acquisition, as determined by the Board at the relevant time.

2.3 **Directors' recommendations**

The Directors unanimously recommend that Shareholders vote in favour of Resolution 1.

3. **Resolution 2: Issue of Broker Options to CPS Capital**

3.1 **Background**

Resolution 2 seeks Shareholder approval for the issue of up to 8,000,000 Broker Options to CPS Capital at a nominal issue price of \$0.0001 each in consideration of services provided by CPS Capital to the Company in accordance with the Mandate.

The Company engaged CPS Capital to be the broker for the Placement. As consideration for providing these services, the Company has paid CPS Capital a capital raising fee equal to 6% in respect of funds raised by CPS Capital under the Placement and, subject to Shareholder approval, 8,000,000 Broker Options issued at \$0.0001 each, exercisable at \$0.05 each and expiring two years from the date of issue.

Of these Broker Options, up to 2,500,000 will be issued to Jason Peterson (and/or his nominees) as a nominee of CPS Capital. Mr Peterson is a related party of the Company and, therefore, the issue of these Broker Options is subject to a separate Shareholder approval for the purposes of Listing Rule 10.11. See Section 4 for further information.

Further, the Company has agreed to pay CPS Capital a corporate advisory fee of \$5,000 (plus GST) on a monthly basis for a period of 12 months for ongoing corporate advisory services from the date of the Mandate. In addition, the Company will pay CPS Capital (or its nominee) an asset introduction fee of 5% for any asset the Company may acquire in the future introduced by CPS Capital.

3.2 Listing Rule 7.1

Listing Rule 7.1 provides that, subject to certain exceptions, prior approval of shareholders is required for an issue of securities by a company if those securities, when aggregated with the securities issued by the company without approval and which were not subject to an exception during the previous 12 months, exceed 15% of the number of shares on issue at the commencement of that 12 month period.

Listing Rule 7.1 provides that where a company approves an issue of securities, the company's 15% capacity will be replenished and the company will be able to issue further securities up to that limit.

Resolution 2 seeks approval for the issue of up to 8,000,000 Broker Options for the purpose of satisfying the requirements of Listing Rule 7.1. If Resolution 2 is approved, the Broker Options and the Shares issued upon any exercise of the Broker Options will not affect the capacity of the Company to issue securities in the next 12 months under Listing Rule 7.1 as those securities, once issued, will be excluded from the calculations under Listing Rule 7.1.

For the purposes of Listing Rule 7.3, the following information is provided to Shareholders in relation to Resolution 2:

(a) **Maximum number of securities the entity is to issue**

8,000,000 Broker Options.¹

(b) **Date by which the entity will issue the securities**

It is anticipated that the Broker Options will be issued to CPS Capital (and/or its nominees) within 7 days of the General Meeting. In any event, however, no Broker Options will be issued to CPS Capital (and/or its nominees) later than 3 months after the Meeting (other than to the extent permitted by any waiver or modification of the Listing Rules).

(c) **Issue price of the securities**

\$0.0001 each.

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

Other than to the extent Broker Options are issued to Jason Peterson (and/or his nominees) under Resolution 3, the Broker Options will be issued to CPS Capital (and/or its nominees).

(e) **Terms of the securities**

Each Broker Option will have an exercise price of \$0.05, an expiry date of two years from the date of issue, and will otherwise be issued on the terms set out in Annexure A. Shares issued upon any exercise of the Broker Options will rank equally in all respects with existing Shares on issue at the time.

(f) **Intended use of the funds raised**

Funds raised by the issue of the Broker Options are intended to be applied towards funding the Company's general working capital requirements.

The proceeds from any future exercise of the Broker Options are intended to be applied towards meeting working capital requirements of the Company relevant at, or about, the time of the exercise of the Broker Options at the discretion of the Board.

¹ The aggregate number of Broker Options to be issued under Resolutions 2 and 3 is 8,000,000, however no more than 2,500,000 Brokers Options will be issued under Resolution 3.

(g) **Issue date**

It is anticipated that all Broker Options will be issued on the same date.

3.3 Directors' recommendations

The Directors unanimously recommend that Shareholders vote in favour of Resolution 2.

4. Resolution 3: Issue of Broker Options to Jason Peterson

4.1 Background

Resolution 3 seeks Shareholder approval for the issue of up to 2,500,000 Broker Options to Jason Peterson, as a nominee of CPS Capital, at a nominal issue price of \$0.0001 each in consideration of services provided by CPS Capital to the Company in accordance with the Mandate. These Broker Options comprise part of the Broker Options to be issued to CPS Capital (and/or its nominees) under Resolution 2. Accordingly, the aggregate number of Broker Options to be issued under Resolutions 2 and 3 is 8,000,000, however no more than 2,500,000 Brokers Options will be issued under Resolution 3,

Mr Peterson is employed by, and is a director of, CPS Capital. At the date of this Notice, the number of Broker Options to be issued to Me Peterson has not yet been confirmed by CPS Capital. However, the Company understands that the number will not be more than 2,500,000 and, accordingly, the Company is seeking Shareholder approval to issue up to 2,500,000 Broker Options to Mr Peterson under this Resolution 3.

4.2 Listing Rule 10.11

Listing Rule 10.11 provides that a company must not issue Equity Securities to a related party without the approval of holders of ordinary securities. Further, exception 14 of Listing Rule 7.2 states that approval pursuant to Listing Rule 7.1 is not required if shareholder approval is obtained under Listing Rule 10.11.

Mr Peterson is a related party of the Company for the purposes of the Corporations Act as he has held office as a Director of the Company within the past 6 months, having resigned as a Director on 1 December 2015. Accordingly, Shareholder approval is sought under Listing Rule 10.11 to permit the issue of the Broker Options to Mr Peterson.

If Resolution 3 is approved, the Broker Options will not affect the capacity of the Company to issue securities in the next 12 months under Listing Rule 7.1 as those securities, once issued, will be excluded from the calculations under Listing Rule 7.1.

For the purposes of Listing Rule 10.13, the following information is provided to Shareholders in relation to Resolution 3:

(a) **Name of the person**

Jason Peterson (and/or his nominees).

(b) **Maximum number of securities to be issued**

2,500,000 Broker Options.²

(c) **Date by which the entity will issue the securities**

It is anticipated that the Broker Options will be issued to Mr Peterson within 7 days of the General Meeting. In any event, however, no Broker Options will be issued to Mr Peterson

² The aggregate number of Broker Options to be issued under Resolutions 2 and 3 is 8,000,000, however no more than 2,500,000 Brokers Options will be issued under Resolution 3.

later than 1 month after the Meeting (other than to the extent permitted by any waiver or modification of the Listing Rules).

(d) **Issue price of the securities**

\$0.001 each.

(e) **Terms of the issue**

Each Broker Option will have an exercise price of \$0.05, an expiry date of two years from the date of issue, and will otherwise be issued on the terms set out in Annexure A. Shares issued upon any exercise of the Broker Options will rank equally in all respects with existing Shares on issue at the time.

(f) **Intended use of funds raised**

Funds raised by the issue of the Broker Options are intended to be applied towards funding the Company's general working capital requirements.

The proceeds from any future exercise of the Broker Options are intended to be applied towards meeting working capital requirements of the Company relevant at, or about, the time of the exercise of the Broker Options at the discretion of the Board.

4.3 Directors' recommendations

The Directors unanimously recommend that Shareholders vote in favour of Resolution 3.

5. Resolutions 4(a), (b) and (c): Issue of Incentive Options to Directors

5.1 Background

Resolutions 4(a) to (c) seek Shareholder approval for the issue of a total of 3,000,000 Incentive Options to the Directors (and/or their nominees) for nil cash consideration in recognition of their services to the Company and to further incentivise their performance.

5.2 Section 208 of the Corporations Act

Section 208(1)(a) of the Corporations Act prohibits a company from giving a financial benefit (including an issue of securities) to a related party of the company without the approval of shareholders by a resolution passed at a general meeting at which no votes are cast in relation to the resolution in respect of any shares held by the related party or by an associate of the related party.

The issue of the Incentive Options constitutes giving a financial benefit to a related party of the Company. David Wheeler, Joe Graziano and Paula Cowan are related parties of the Company by virtue of being Directors.

It is the view of the Company that the exceptions set out in sections 210 to 216 of the Corporations Act do not apply in the current circumstances. Accordingly, Shareholder approval is sought for the issue of the Incentive Options under Chapter 2E of the Corporations Act.

As required by section 219 of the Corporations Act, the following information is provided in relation to Resolutions 4(a) to (c):

(a) **Related party to whom the financial benefit is to be given**

David Wheeler, Joe Graziano and Paula Cowan (and/or their nominees).

(b) **Nature of the financial benefit**

3,000,000 Incentive Options, which will be issued to the Directors as follows:

Recipient	Incentive Options
David Wheeler	1,000,000
Joe Graziano	1,000,000
Paula Cowan	1,000,000
Total	3,000,000

(c) **Valuation of the financial benefit**

Each Incentive Option has been valued at \$0.02087 using the Black-Scholes method as set out in Annexure C.

Based on these valuations, the indicative maximum value of the financial benefit to be given to the Directors is \$62,610. This benefit will be distributed among the Directors as follows:

Recipient	Value of Incentive Options
David Wheeler	\$20,870
Joe Graziano	\$20,870
Paula Cowan	\$20,870
Total	\$62,610

(d) **Reason for the financial benefit**

The Incentive Options are being issued for nil cash consideration in recognition of the Directors' services to the Company and to further incentivise their performance.

(e) **Current remuneration and Relevant Interests**

Details of the current annualised pro-rata remuneration of the Directors, as well as their Relevant Interests in the Company's securities as at the date of this Notice, are set out below.

Director	FY 2016 Salary / fees	Relevant Interests
David Wheeler ¹	\$23,333	2,070,000 Shares
Joe Graziano ²	\$40,000	1,500,000 Shares
Paula Cowan	\$40,000	Nil

Notes:

- 1,500,000 Shares are held by Pathways Corporate Pty Ltd of which Mr Wheeler is a director. 570,000 Shares are held by Pathways Capital Pty Ltd as trustee for the Wheeler Super Fund of which Mr Wheeler is a director and a beneficiary.
- 1,500,000 Shares are held by Pathways Corporate Pty Ltd of which Mr Graziano is a director.

(f) **Terms of the securities**

Each Incentive Option will be exercisable at the higher of \$0.024 and 105% of the closing price on the date of issue, expires three years from the date of issue, and will otherwise be issued on the terms set out in Annexure B. Shares issued upon any exercise of the Incentive Options will rank equally in all respects with existing Shares on issue at the time.

(g) **Dilution**

Based on the number of Shares on issue at the date of this Notice (being 169,540,545), and assuming that no other Shares are issued, if all Incentive Options issued under Resolutions 4(a) to (c) are exercised into Shares then the total Shares issued would dilute Shareholders by approximately 1.8%.

(h) **Opportunity costs to the Company**

The Company does not consider that there are any opportunity costs to the Company or benefits foregone by the Company in issuing the Incentive Options to the Directors under Resolutions 4(a) to (c).

(i) **Intended use of funds raised**

No funds will be raised from the issue of the Incentive Options as no cash consideration will be payable.

The proceeds from any future exercise of the Incentive Options are intended to be applied towards meeting working capital requirements of the Company relevant at, or about, the time of the exercise of the Incentive Options at the discretion of the Board.

(j) **Directors' interests**

Mr Wheeler has a material personal interest in the outcome of Resolution 4(a) as the recipient of the Incentive Options. No other Director has a material personal interest in the outcome of Resolution 4(a).

Mr Graziano has a material personal interest in the outcome of Resolution 4(b) as the potential recipient of the Incentive Options. No other Director has a material personal interest in the outcome of Resolution 4(b).

Ms Cowan has a material personal interest in the outcome of Resolution 4(c) as the potential recipient of the Incentive Options. No other Director has a material personal interest in the outcome of Resolution 4(c).

(k) **Directors' recommendations**

Mr Wheeler expresses no opinion and makes no recommendation in respect of the issue of Incentive Options to him under Resolution 4(a) as he has a material personal interest in the outcome of Resolution 4(a).

Mr Graziano expresses no opinion and makes no recommendation in respect of the potential issue of Incentive Options to him under Resolution 4(b) as he has a material personal interest in the outcome of Resolution 4(b).

Ms Cowan expresses no opinion and makes no recommendation in respect of the potential issue of Incentive Options to her under Resolution 4(c) as she has a material personal interest in the outcome of Resolution 4(c).

Other than as set out above, each of the Directors recommends that Shareholders vote in favour of Resolutions 4(a) to (c) for the reasons set out in the Explanatory Statement and on the basis that, in their opinion, the proposed issue of Incentive Options:

- is a reasonable and appropriate method to provide cost effective remuneration as the non-cash form of this benefit will allow the Company to preserve its cash reserves which it considers important at this stage of its development;
- there are benefits to the Company in the Directors holding or otherwise having an interest in securities in the Company as this will help to incentivise their performance as Directors and, in doing so, further align their interests with those of Shareholders; and

- will not result in any significant opportunity costs to the Company or benefits foregone by the Company.

(l) **Other information**

Other than as set out in this Explanatory Statement, there is no further information that is known to the Company or any of the Directors which Shareholders would reasonably require in order to decide whether or not it is in the Company's best interests to pass Resolutions 4(a) to (c).

5.3 Listing Rule 10.11

Listing Rule 10.11 provides that a company must not issue Equity Securities to a related party without the approval of holders of ordinary securities. Further, exception 14 of Listing Rule 7.2 states that approval pursuant to Listing Rule 7.1 is not required if shareholder approval is obtained under Listing Rule 10.11.

David Wheeler, Joe Graziano and Paula Cowan are related parties of the Company by virtue of being Directors. Accordingly, Shareholder approval is sought under Listing Rule 10.11 to permit the issue of the Incentive Options to the Directors.

If Resolutions 4(a) to (c) are approved, the Incentive Options and the Shares issued upon any exercise of the Incentive Options will not affect the capacity of the Company to issue securities in the next 12 months under Listing Rule 7.1 as those securities, once issued, will be excluded from the calculations under Listing Rule 7.1.

For the purposes of Listing Rule 10.13, the following information is provided to Shareholders in relation to Resolutions 4(a) to (c):

(a) **Name of the person**

David Wheeler, Joe Graziano and Paula Cowan (and/or their nominees) who are related parties by virtue of being Directors.

(b) **Maximum number of securities to be issued**

3,000,000 Incentive Options, which will be issued to the Directors as follows:

Recipient	Incentive Options
David Wheeler	1,000,000
Joe Graziano	1,000,000
Paula Cowan	1,000,000
Total	3,000,000

(c) **Date by which the entity will issue the securities**

It is anticipated that the Incentive Options will be issued to the Directors (and/or their nominees) within 7 days of the General Meeting. In any event, however, no Incentive Options will be issued to the Directors later than 1 month after the Meeting (other than to the extent permitted by any waiver or modification of the Listing Rules).

(d) **Issue price of the securities**

No cash consideration is payable for the Incentive Options as they are being issued in recognition of the Directors' services to the Company and to further incentivise their performance.

(e) **Terms of the issue**

Each Incentive Option will be exercisable at the higher of \$0.024 and 105% of the closing price on the date of issue, expires three years from the date of issue, and will otherwise be issued on the terms set out in Annexure B. Shares issued upon any exercise of the Incentive Options will rank equally in all respects with existing Shares on issue at the time.

(f) **Intended use of funds raised**

No funds will be raised from the issue of the Incentive Options as no cash consideration will be payable.

Any proceeds from any future exercise of the Incentive Options are intended to be applied towards meeting working capital requirements of the Company relevant at, or about, the time of the exercise of the Incentive Options at the discretion of the Board.

5.4 Directors' recommendations

See Section 5.2(k) above.

6. Resolution 5: Issue of Incentive Options to Peter Webse

6.1 Background

Resolution 5 seeks Shareholder approval for the issue of up to 1,000,000 Incentive Options to the Company Secretary, Peter Webse, for no cash consideration in recognition of Mr Webse's services to the Company and to further incentivise his performance.

6.2 Listing Rule 7.1

Listing Rule 7.1 provides that, subject to certain exceptions, prior approval of shareholders is required for an issue of securities by a company if those securities, when aggregated with the securities issued by the company without approval and which were not subject to an exception during the previous 12 months, exceed 15% of the number of shares on issue at the commencement of that 12 month period.

Listing Rule 7.1 provides that where a company approves an issue of securities, the company's 15% capacity will be replenished and the company will be able to issue further securities up to that limit.

Resolution 5 seeks approval for the issue of up to 1,000,000 Incentive Options for the purpose of satisfying the requirements of Listing Rule 7.1. If Resolution 5 is approved, the Incentive Options and the Shares issued upon any exercise of the Incentive Options will not affect the capacity of the Company to issue securities in the next 12 months under Listing Rule 7.1 as those securities, once issued, will be excluded from the calculations under Listing Rule 7.1.

For the purposes of Listing Rule 7.3, the following information is provided to Shareholders in relation to Resolution 5:

(a) **Maximum number of securities the entity is to issue**

1,000,000 Incentive Options.

(b) **Date by which the entity will issue the securities**

It is anticipated that the Incentive Options will be issued to Mr Webse (and/or his nominees) within 7 days of the General Meeting. In any event, however, no Incentive Options will be issued to Mr Webse later than 3 months after the Meeting (other than to the extent permitted by any waiver or modification of the Listing Rules).

(c) **Issue price of the securities**

No cash consideration is payable for the Incentive Options as they are being issued in recognition of Mr Webse's services to the Company and to further incentivise his performance.

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

The Incentive Options will be issued to the Company Secretary of the Company, Mr Webse (and/or his nominees) who is not a related party for the purposes of the Corporations Act.

- (e) **Terms of the securities**

Each Incentive Option will be exercisable at the higher of \$0.024 and 105% of the closing price on the date of issue, expires three years from the date of issue, and will otherwise be issued on the terms set out in Annexure B. Shares issued upon any exercise of the Incentive Options will rank equally in all respects with existing Shares on issue at the time.

- (f) **Intended use of the funds raised**

No funds will be raised from the issue of the Incentive Options as no cash consideration will be payable.

Any proceeds from any future exercise of the Incentive Options are intended to be applied towards meeting working capital requirements of the Company relevant at, or about, the time of the exercise of the Incentive Options at the discretion of the Board.

- (g) **Issue date**

No funds will be raised from the issue of the Incentive Options as no cash consideration will be payable.

6.3 Directors' recommendations

It is anticipated that the Incentive Options will all be issued on the same date.

7. Resolution 6: Cancellation of Shares issued to Related Applicants

7.1 Background

On 8 February 2016, the Company lodged a prospectus with ASIC for the offer of 33,908,108 Shares at an issue price of \$0.024 each to raise \$813,794.60 (before costs). The Company inadvertently issued 5,470,607 Shares under the Placement to the following related parties on 11 February 2016 using its placement capacity under Listing Rule 7.1:

- 4,166,667 Shares to Jason Peterson and Lisa Peterson as trustees for the J&L Peterson Superannuation Fund;
- 470,607 Shares to Professional Payment Services Pty Ltd; and
- 833,333 Shares to Celtic Capital Pty Ltd <Celtic Capital No. 2 Account>.

Each of the Related Applicants is a related party for the purposes of section 228 of the Corporations Act as they are entities controlled by Jason Peterson who was a Director of the Company until his resignation on 1 December 2015. Under section 228(5) of the Corporations Act, Mr Peterson remains a related party of the Company for a period of 6 months following his resignation as a Director.

Accordingly, the issue of Shares to the Related Applicants without prior Shareholder approval was in breach of Listing Rule 10.11. The Company wishes to advise Shareholders that the breach was an administrative oversight and internal steps have been taken to avoid such a breach re-occurring in the future. The Company notes that the relevant Shares cannot currently be traded as they remain subject to a holding lock which the Company implemented immediately upon becoming aware of the breach.

Further to discussions with ASX regarding this matter, the Company is seeking to remedy the breach by cancelling the 5,470,607 Shares issued to the Related Applicants, and seeking Shareholder

approval to re-issue the Shares to the Related Applicants. Resolution 7 seeks Shareholder approval to re-issue the Shares to the Related Applicants for the purposes of Listing Rule 10.11.

As Resolution 6 is a special resolution, at least 75% of the votes cast on Resolution 6 must be cast in favour of the Resolution in order for it to be passed.

7.2 Section 256C(2) of the Corporations Act

To enable the Company to make the capital reduction by cancelling the Shares issued to the Related Applicants, section 256C(2) of the Corporations Act requires a special resolution of the Shareholders passed at a general meeting.

The capital reduction proposed for the Company is a selective reduction because the terms of the reduction will not be the same for all Shareholders. Only the following Shares that were issued under the Placement will be cancelled:

- 4,166,667 Shares issued to Jason Peterson and Lisa Peterson as trustees for the J&L Peterson Superannuation Fund;
- 470,607 Shares issued to Professional Payment Services Pty Ltd; and
- 833,333 Shares issued to Celtic Capital Pty Ltd <Celtic Capital No. 2 Account>.

Section 256B of the Corporations Act provides that a company may reduce its share capital by cancelling the shares for no consideration if the reduction:

- is fair and reasonable to the Company's Shareholders;
- does not materially prejudice the Company's ability to pay its creditors; and
- is approved by shareholders under section 256C of the Corporations Act.

The Directors believe the proposed capital reduction is fair and reasonable to Shareholders as a whole because the Shares in question were inadvertently issued without Shareholder approval in contravention of Listing Rule 10.11. The Directors also believe that the proposed capital reduction will not materially prejudice the Company's ability to pay its creditors as those Shares will, subject to Shareholder approval under Resolution 7, be re-issued to the Related Applicants at the same issue price under the Placement (i.e. \$0.024 each).

Therefore, the Directors consider it appropriate and necessary to cancel the 5,470,607 Shares issued to the Related Applicants, and seek Shareholder approval to re-issue the Shares to the Related Applicants for the purposes of Listing Rule 10.11 pursuant to Resolution 7.

There is no information known to the Company that is material to the decision on how to vote on Resolution 6 other than what has been disclosed in this Notice.

Pursuant to the Corporations Act, the Company may cancel the Shares 14 days after the lodgement of this Resolution (once it has been approved by Shareholders) with ASIC.

7.3 Directors' recommendations

The Directors unanimously recommend that Shareholders vote in favour of Resolution 6.

8. Resolution 7: Issue of Shares to Related Applicants

8.1 Background

Resolution 7 seeks Shareholder approval for the issue of 5,470,607 Shares to the Related Applicants at an issue price of \$0.024 each under the Placement. This Resolution is conditional on, and subject to, Resolution 6 being passed. Resolution 7 will be deemed to have been withdrawn and the result of the vote on Resolution 7 will not be valid if Resolution 6 is not passed.

The Shares to be issued under Resolution 7 are as follows:

- 4,166,667 Shares to Jason Peterson and Lisa Peterson as trustees for the J&L Peterson Superannuation Fund;
- 470,607 Shares to Professional Payment Services Pty Ltd; and
- 833,333 Shares to Celtic Capital Pty Ltd <Celtic Capital No. 2 Account>.

8.2 Listing Rule 10.11

Listing Rule 10.11 provides that a company must not issue Equity Securities to a related party without the approval of holders of ordinary securities. Further, exception 14 of Listing Rule 7.2 states that approval pursuant to Listing Rule 7.1 is not required if shareholder approval is obtained under Listing Rule 10.11.

Each of the Related Applicants is a related party for the purposes of section 228 of the Corporations Act as they are entities controlled by Jason Peterson who was a Director of the Company until his resignation on 1 December 2015. Under section 228(5) of the Corporations Act, Mr Peterson remains a related party of the Company for a period of 6 months following his resignation as a Director.

If Resolution 7 is approved, the Shares will not affect the capacity of the Company to issue securities in the next 12 months under Listing Rule 7.1 as those securities, once issued, will be excluded from the calculations under Listing Rule 7.1.

For the purposes of Listing Rule 10.13, the following information is provided to Shareholders in relation to Resolution 7:

(a) **Name of the person**

Jason Peterson (and/or his nominees).

(b) **Maximum number of securities to be issued**

5,470,607 Shares, which will be issued to the Related Applicants as follows:

Recipient	Shares
Jason Peterson and Lisa Peterson as trustees for the J&L Peterson Superannuation Fund	4,166,667
Professional Payment Services Pty Ltd	470,607
Celtic Capital Pty Ltd <Celtic Capital No. 2 Account>	833,333
Total	5,470,607

(c) **Date by which the entity will issue the securities**

It is anticipated that the Shares will be issued to the Related Applicants approximately 15 days after the General Meeting as the Shares to be cancelled under Resolution 6 can only be cancelled at least 14 days after the lodgement of the Resolution (once it has been approved by Shareholders) with ASIC. In any event, however, no Shares will be issued to the Related Applicants later than 1 month after the Meeting (other than to the extent permitted by any waiver or modification of the Listing Rules).

(d) **Issue price of the securities**

\$0.024 each.

(e) **Terms of the issue**

The Shares issued under the Placement rank equally in all respects with other Shares on issue.

(f) **Intended use of funds raised**

The Company intends to use the funds raised under the Placement for:

- (i) the expenses of the Placement;
- (ii) costs associated with evaluating new acquisitions or investment opportunities (including due diligence costs); and
- (iii) working capital, which may include wages, payments to contractors, rents and outgoings, insurance, accounting, audit, legal and listing fees, other items of a general administrative nature and cash reserves which may be used in connection with any project, investment or acquisition, as determined by the Board at the relevant time.

8.3 Directors' recommendations

The Directors unanimously recommend that Shareholders vote in favour of Resolution 7.

DEFINITIONS

In this Notice and Explanatory Statement, the following terms have the following meanings:

Annexure an annexure to this Explanatory Statement.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited ACN 008 624 691 or the Australian Securities Exchange, as the context requires.

Board means the board of Directors.

Broker Option means an Option on the terms set out in Annexure A.

Business Day means any day other than a Saturday, a Sunday or a public holiday in Perth, Western Australia.

Chair means the chairperson of the Meeting.

Company means Lithex Resources Limited ACN 140 316 463.

Corporations Act means the *Corporations Act 2001* (Cth).

CPS Capital means CPS Capital Group Pty Ltd ACN 088 055 636.

Director means a director of the Company.

Equity Securities has the meaning given in the Listing Rules.

Explanatory Statement means the explanatory statement incorporated in the Notice.

General Meeting or **Meeting** means the general meeting of Shareholders to be held on Tuesday, 5 April 2016, at 11.00am (WST).

Incentive Option means an Option on the terms set out in Annexure B.

Key Management Personnel means the key management personnel of the Company as defined in section 9 of the Corporations Act and Australian Accounting Standards Board accounting standard 124, being 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).

Listing Rules means the official Listing Rules of ASX.

Mandate means the mandate between CPS Capital and the Company dated 4 February 2016 containing terms as described in Section 3.1.

Notice of General Meeting or **Notice** means the notice of general meeting incorporating the Explanatory Statement.

Option means an option to acquire a Share.

Placement means the placement of up to 33,908,108 Shares under a prospectus as announced by the Company on 8 February 2016 at an issue price of \$0.024 per Share.

Placement Applicant means a person who applied for Shares under the Placement.

Proxy Form means the proxy form attached to this Notice.

Related Applicants means Jason Peterson and Lisa Peterson as trustees for the J&L Peterson Superannuation Fund, Professional Payment Services Pty Ltd ACN 076 796 962 and Celtic Capital Pty Ltd ACN 120 688 262 <Celtic Capital No. 2 Account>.

Relevant Interest has the meaning given in sections 608 and 609 of the Corporations Act.

Resolution means a resolution contained in the Notice.

Section means a section contained in the Explanatory Statement.

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

Shareholder means a holder of one or more Shares.

WST means Western Standard Time, being the time in Perth, Western Australia.

ANNEXURE A – TERMS OF BROKER OPTIONS

The Broker Options entitle the holder to subscribe for Shares on the terms and conditions set out below.

(a) **Entitlement**

Each Broker Option entitles the holder to subscribe for one Share upon exercise of the Broker Option.

(b) **Issue Price**

\$0.0001 each.

(c) **Expiry Date**

Each Broker Option will expire at 5.00pm (WST) on the date that is 2 years after the date that the Broker Option is issued (**Expiry Date**).

(d) **Exercise Price**

Each Broker Option will have an exercise price equal to \$0.05 (**Exercise Price**).

(e) **Exercise period and lapsing**

Subject to clause (j), Broker Options may be exercised at any time after the date of issue and prior to the Expiry Date. After this time, any unexercised Broker Options will automatically lapse.

(f) **Exercise Notice and payment**

Broker Options may be exercised by notice in writing to the Company (**Exercise Notice**) together with payment of the Exercise Price for each Broker Option being exercised. Any Exercise Notice for a Broker Option received by the Company will be deemed to be a notice of the exercise of that Broker Option as at the date of receipt. Cheques paid in connection with the exercise of Broker Options must be in Australian currency, made payable to the Company and crossed "Not Negotiable".

(g) **Shares issued on exercise**

Shares issued on exercise of Broker Options will rank equally in all respects with existing Shares on issue.

(h) **Quotation of Shares**

Provided that the Company is quoted on ASX at the time, application will be made by the Company to ASX for quotation of the Shares issued upon the exercise of the Broker Options.

(i) **Timing of issue of Shares**

Subject to clause (j), within 5 Business Days after the later of the following:

- (i) receipt of an Exercise Notice given in accordance with these terms and conditions and payment of the Exercise Price for each Broker Option being exercised by the Company if the Company is not in possession of excluded information (as defined in section 708A(7) of the Corporations Act); and
- (ii) the date the Company ceases to be in possession of excluded information with respect to the Company (if any) following the receipt of the Notice of Exercise and payment of the Exercise Price for each Broker Option being exercised by the Company,

the Company will:

- (iii) allot and issue the Shares pursuant to the exercise of the Broker Options;

- (iv) give ASX a notice that complies with section 708A(5)(e) of the Corporations Act (to the extent that it is legally able to do so); and
- (v) apply for official quotation on the ASX of the Shares issued pursuant to the exercise of the Broker Options.

(j) **Shareholder and regulatory approvals**

Notwithstanding any other provision of these terms and conditions, exercise of Broker Options into Shares will be subject to the Company obtaining all required (if any) Shareholder and regulatory approvals for the purpose of issuing the Shares to the holder. If exercise of the Broker Options would result in any person being in contravention of section 606(1) of the Corporations Act then the exercise of each Broker Option that would cause the contravention will be deferred until such time or times that the exercise would not result in a contravention of section 606(1) of the Corporations Act. Holders must give notification to the Company in writing if they consider that the exercise of the Broker Options may result in the contravention of section 606(1) of the Corporations Act, failing which the Company will be entitled to assume that the exercise of the Broker Options will not result in any person being in contravention of section 606(1) of the Corporations Act.

(k) **Participation in new issues**

There are no participation rights or entitlements inherent in the Broker Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Broker Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least four Business Days after the issue is announced. This is intended to give the holders of Broker Options the opportunity to exercise their Broker Options prior to the announced record date for determining entitlements to participate in any such issue.

(l) **Adjustment for bonus issues of Shares**

If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment):

- (i) the number of Shares which must be issued on the exercise of a Broker Option will be increased by the number of Shares which the holder would have received if the holder had exercised the Broker Option before the record date for the bonus issue; and
- (ii) no change will be made to the Exercise Price.

(m) **Adjustment for rights issue**

If the Company makes an issue of Shares pro rata to existing Shareholders there will be no adjustment to the Exercise Price.

(n) **Adjustments for reorganisation**

If there is any reconstruction of the issued share capital of the Company, the rights of the holders may be varied to comply with the Listing Rules which apply to the reconstruction at the time of the reconstruction.

(o) **Quotation**

The Company will not apply for quotation of the Broker Options on ASX.

(p) **Transferability**

Broker Options can only be transferred with the prior written consent of the Company (which consent may be withheld in the Company's sole discretion).

ANNEXURE B – TERMS OF INCENTIVE OPTIONS

The Incentive Options entitle the holder to subscribe for Shares on the terms and conditions set out below.

(a) **Entitlement**

Each Incentive Option entitles the holder to subscribe for one Share upon exercise of the Incentive Option.

(b) **Issue Price**

Nil.

(c) **Expiry Date**

Each Incentive Option will expire at 5.00pm (WST) on the date that is 3 years after the date that the Incentive Option is issued (**Expiry Date**).

(d) **Exercise Price**

Each Incentive Option will have an exercise price (**Exercise Price**) equal to the greater of the following:

- (i) \$0.024; and
- (ii) 105% of the closing price on the date of issue.

(e) **Exercise period and lapsing**

Subject to clause (j), Incentive Options may be exercised at any time after the date of issue and prior to the Expiry Date. After this time, any unexercised Incentive Options will automatically lapse. See also clause (q) for details regarding payment by Cashless Exercise Facility.

(f) **Exercise Notice and payment**

Incentive Options may be exercised by notice in writing to the Company (**Exercise Notice**) together with payment of the Exercise Price for each Incentive Option being exercised. Any Exercise Notice for an Incentive Option received by the Company will be deemed to be a notice of the exercise of that Incentive Option as at the date of receipt. Cheques paid in connection with the exercise of Incentive Options must be in Australian currency, made payable to the Company and crossed "Not Negotiable".

(g) **Shares issued on exercise**

Shares issued on exercise of Incentive Options will rank equally in all respects with existing Shares on issue.

(h) **Quotation of Shares**

Provided that the Company is quoted on ASX at the time, application will be made by the Company to ASX for quotation of the Shares issued upon the exercise of the Incentive Options.

(i) **Timing of issue of Shares**

Subject to clause (j), within 5 Business Days after the later of the following:

- (i) receipt of an Exercise Notice given in accordance with these terms and conditions and payment of the Exercise Price for each Incentive Option being exercised by the Company if the Company is not in possession of excluded information (as defined in section 708A(7) of the Corporations Act); and

- (ii) the date the Company ceases to be in possession of excluded information with respect to the Company (if any) following the receipt of the Notice of Exercise and payment of the Exercise Price for each Incentive Option being exercised by the Company,

the Company will:

- (iii) allot and issue the Shares pursuant to the exercise of the Incentive Options;
- (iv) give ASX a notice that complies with section 708A(5)(e) of the Corporations Act (to the extent that it is legally able to do so); and
- (v) apply for official quotation on the ASX of the Shares issued pursuant to the exercise of the Incentive Options.

(j) **Shareholder and regulatory approvals**

Notwithstanding any other provision of these terms and conditions, exercise of Incentive Options into Shares will be subject to the Company obtaining all required (if any) Shareholder and regulatory approvals for the purpose of issuing the Shares to the holder. If exercise of the Incentive Options would result in any person being in contravention of section 606(1) of the Corporations Act then the exercise of each Incentive Option that would cause the contravention will be deferred until such time or times that the exercise would not result in a contravention of section 606(1) of the Corporations Act. Holders must give notification to the Company in writing if they consider that the exercise of the Incentive Options may result in the contravention of section 606(1) of the Corporations Act, failing which the Company will be entitled to assume that the exercise of the Incentive Options will not result in any person being in contravention of section 606(1) of the Corporations Act.

(k) **Participation in new issues**

There are no participation rights or entitlements inherent in the Incentive Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Incentive Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least four Business Days after the issue is announced. This is intended to give the holders of Incentive Options the opportunity to exercise their Incentive Options prior to the announced record date for determining entitlements to participate in any such issue.

(l) **Adjustment for bonus issues of Shares**

If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment):

- (i) the number of Shares which must be issued on the exercise of an Incentive Option will be increased by the number of Shares which the holder would have received if the holder had exercised the Incentive Option before the record date for the bonus issue; and
- (ii) no change will be made to the Exercise Price.

(m) **Adjustment for rights issue**

If the Company makes an issue of Shares pro rata to existing Shareholders there will be no adjustment to the Exercise Price.

(n) **Adjustments for reorganisation**

If there is any reconstruction of the issued share capital of the Company, the rights of the holders may be varied to comply with the Listing Rules which apply to the reconstruction at the time of the reconstruction.

(o) **Quotation**

The Company will not apply for quotation of the Incentive Options on ASX.

(p) **Transferability**

Incentive Options can only be transferred with the prior written consent of the Company (which consent may be withheld in the Company's sole discretion).

(q) **Cashless Exercise Facility**

- (i) A holder may, subject to clause (iii) below, elect to pay the Exercise Price for an Incentive Option by setting off the Exercise Price against the number of Shares which it is entitled to receive upon exercise (**Cashless Exercise Facility**). By using the Cashless Exercise Facility, the holder will receive Shares to the value of the surplus after the Exercise Price has been set off.
- (ii) If a holder elects to use the Cashless Exercise Facility, the holder will only be issued that number of Shares (rounded down to the nearest whole number) as are equal in value to the difference between the total Exercise Price otherwise payable for the Incentive Options on the Incentive Options being exercised and the then market value of the Shares at the time of exercise (determined as the volume weighted average of the prices at which Shares were traded on the ASX during the one week period immediately preceding the exercise date) calculated in accordance with the following formula:

$$S = O \times \frac{(MSP - EP)}{MSP}$$

Where:

S = Number of Shares to be issued on exercise of the Options

O = Number of Options

MSP = Market value of the Shares (calculated using the volume weighted average of the prices at which Shares were traded on the ASX during the one week period immediately preceding the exercise date)

EP = Option exercise price

- (iii) If the difference between the total Exercise Price otherwise payable for the Incentive Options on the Incentive Options being exercised and the then market value of the Shares at the time of exercise (calculated in accordance with paragraph (ii)) is zero or negative, then a holder will not be entitled to use the Cashless Exercise Facility.

ANNEXURE C – VALUATION OF INCENTIVE OPTIONS

Stantons International Securities

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Australia

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West Perth WA 6005
Australia

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AFS Licence No: 448697
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16 February 2016

The Directors
Lithex Resources Limited
Level 1, 330 Churchill Street
SUBIACO WA 6008

Dear Sirs,

At the request of Peter Webse on behalf of Lithex Resources Limited ("Lithex" or "the Company") on 16 February 2016, Stantons International Securities Pty Ltd hereby sets out our technical valuation of a total of 3,000,000 share options ("Options") proposed to be granted to three directors (1,000,000 Options each) following shareholder approval at an EGM of the Company planned for late March 2016. The Options will need to be valued formally once shareholders approve the grant of the Options.

Options Valuation

In arriving at the below mentioned Options valuation, we have used the following assumptions.

1. The Black and Scholes option valuation methodology has been used. This Option Valuation methodology has been used with the expectation that the majority of the Options would be exercised towards the end of the term of the Options.
2. The exercise price is the greater of 2.4 cents and 105% of the closing price of a share in Lithex at the date of grant of the Options to the Directors. Based on a closing share price on 15 February 2016 of 4.3 cents, for the purposes of this report, we have assumed the exercise price to be 105% of 4.3 cents, being 4.515 cents. Once formally granted, the exercise price will need to be determined based on the greater of 2.4 cents and 105% of the closing price of a share in Lithex at the date of grant of the Options.
3. The Options expire three years from the date of grant.
4. We have used a risk-free rate of a three year Australian Government bond being approximately 1.79%.
5. The Options do not have any vesting conditions. To reflect the unlisted status of the Options a discount rate of 20% may be applied. You should consult your auditors before applying any discount. For the purpose of this report, we have not applied a discount rate.
6. We have assumed that no dividends are expected to be declared or paid by the Company during the term of the Options.
7. We note that the one year low share price of a Lithex share was 1.2 cents and the high was 4.4 cents (on 15 February 2016). The 12 months volatility to 15 February 2016 that was calculated using an option volatility calculator approximated 104% and over the past six months the volatility approximated 73%. In our opinion after taking into account the various ASX announcements made by Lithex, the volatility calculators, the relatively short to medium term of the Options (3 years), and the general trend in the shares of the companies in similar businesses and trading on the ASX over the past 3 and 6 months, we are of the opinion that the fair volatility factor for the purpose of valuation as at 15 February 2016 should be 75%.

8. The valuation noted below are not necessarily the market price that the Options could be traded at and it is not automatically the market prices for taxation purposes. The recipients of these Options should seek their own tax advice as to the tax treatment of receiving Options in Lithex and the values for taxation purpose.

Conclusion

9. **Based on the above assumptions the value of one Lithex Option approximates 2.087 cents. Thus, the value of 1,000,000 Options (each Director is to receive 1,000,000 Options) equates to approximately \$20,870.**

Should you wish to discuss the above, do not hesitate to contact the undersigned.

Yours faithfully

STANTONS INTERNATIONAL SECURITIES PTY LTD
(Trading as Stantons International Securities)



John Van Dieren - FCA
Director

Holder Number

Security Holder Appointment of Proxy – General Meeting

I/We being a Shareholder entitled to attend and vote at the Meeting, hereby appoint

(Name of Proxy)

OR

The Chair as my/our proxy

or failing the person so named or, if no person is named, the Chair, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit, at the General Meeting to be held at 11.00am (WST) on 5 April 2016 at Level 1, 330 Churchill Avenue, Subiaco, Western Australia 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 4a to 4c (except where I/we have indicated a different voting intention below) even though Resolutions 4a to 4c are connected directly or indirectly with the remuneration of a member of the Key Management Personnel, which includes the Chair.

The Chair intends to vote undirected proxies in favour of all Resolutions in which the Chair is entitled to vote.

Unless indicated otherwise by ticking the "for", "against" or "abstain" box you will be authorising the Chair to vote in accordance with the Chair's voting intention.

VOTING ON BUSINESS OF THE MEETING

Resolutions	For	Against	Abstain	Resolutions	For	Against	Abstain
1 Issue of Shares to the Placement Applicants	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	4c Issue of Incentive Options to Paula Cowan (and/or her nominees)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Issue of Broker Options to CPS Capital Group Pty Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	5 Issue of Incentive Options to Peter Webse	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Issue of Broker Options to Jason Peterson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	6 Cancellation of Shares issued to Related Applicants	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4a Issue of Incentive Options to David Wheeler (and/or his nominees)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	7 Issue of Shares to Related Applicants	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4b Issue of Incentive Options to Joe Graziano (and/or his nominees)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				

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.

SIGNATURE OF SHAREHOLDER(S):

Individual or Shareholder 1

Sole Director or
Sole Director / Company Secretary

Shareholder 2

Director

Shareholder 3

Director / Company Secretary

INSTRUCTIONS FOR COMPLETING 'APPOINTMENT OF PROXY' FORM

APPOINTING A PROXY

A Shareholder entitled to attend and cast a vote at the Meeting is entitled to appoint a proxy to attend and vote on their behalf at the Meeting. The appointed proxy may be an individual or body corporate.

If a Body Corporate is appointed to act as your proxy then a representative of that Body Corporate must be appointed to act as its representative. When attending the meeting, the representative must bring a formal notice of appointment as per section 250D of the Corporations Act. Such notice must be signed as required by section 127 of the Corporations Act or the Body Corporate's Constitution.

If a Shareholder is entitled to cast 2 or more votes at the Meeting, the Shareholder may appoint a second proxy to attend and vote on their behalf at the Meeting. However, where both proxies attend the Meeting, voting may only be exercised on a poll.

The appointment of a second proxy must be done on a separate copy of the Proxy Form. A Shareholder who appoints 2 proxies may specify the proportion or number of votes each proxy is appointed to exercise. If a Shareholder appoints 2 proxies and the appointments do not specify the proportion or number of the Shareholder's votes each proxy is appointed to exercise, each proxy may exercise one-half of the votes. Any fractions of votes resulting from the application of these principles will be disregarded. A duly appointed proxy need not be a Shareholder.

Note: If you wish to appoint a second proxy, you may copy this form but you must return both forms together.

VOTING ON BUSINESS OF MEETING

A Shareholder may direct a proxy how to vote by marking one of the boxes opposite each item of business. The direction may specify the number of votes that the proxy may exercise by writing the number of Shares next to the box marked for the relevant item of business.

Where a box is not marked the proxy may vote as they choose subject to the relevant laws.

Where more than one box is marked on an item the vote will be invalid on that item.

SIGNING INSTRUCTIONS

- **Individual:** Where the holding is in one name, the Shareholder must sign.
- **Joint holding:** Where the holding is in more than one name, all of the Shareholders should sign.
- **Power of attorney:** If you have not already lodged the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Form when you return it.
- **Companies:** To be signed in accordance with your Constitution. Please sign in the appropriate box which indicates the office held by you.

ATTENDING THE MEETING

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.

LODGEMENT OF VOTES

To be effective, a validly appointed proxy must be received by the Company **not less than 48 hours** prior to commencement of the Meeting.

Proxy appointments can be lodged by:

- a) **Hand Delivery** – to the Company at Level 1, 330 Churchill Avenue, Subiaco, WA 6008; or
- b) **Post** - to the Company at Level 1, 330 Churchill Avenue, Subiaco, WA 6008; or
- c) **Facsimile** - to the Company on facsimile number +61 8 9227 6390; or
- d) **Email** – to the Company Secretary at peter.webse@pcscorporate.com.au.

Proxy Forms received later than this time will be invalid