

LITHIUM AUSTRALIA NL
ACN 126 129 413

PROSPECTUS

For the issue of up to 61,151,326 New Shares and up to 30,575,663 New Partly Paid Shares to the Vendors as consideration for the acquisition of their shares in the Very Small Particle Company Limited. The Offer is subject to a minimum subscription requirement to acquire no less than 75% of all issued shares in the Very Small Particle Company Limited.

IMPORTANT INFORMATION

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

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

TABLE OF CONTENTS

1.	CORPORATE DIRECTORY.....	3
2.	TIMETABLE AND IMPORTANT DATES.....	4
3.	IMPORTANT NOTES	5
4.	INVESTMENT OVERVIEW	11
5.	DETAILS OF THE OFFER	16
6.	PURPOSE AND EFFECT OF THE OFFER.....	21
7.	RIGHTS AND LIABILITIES ATTACHING TO NEW SECURITIES	26
8.	RISK FACTORS.....	29
9.	MATERIAL CONTRACTS.....	34
10.	ADDITIONAL INFORMATION.....	36
11.	GLOSSARY	42
12.	DIRECTORS' STATEMENT AND AUTHORISATION.....	45

1. CORPORATE DIRECTORY

Directors

Mr George Bauk
Non-Executive Chairman

Mr Adrian Griffin
Managing Director

Mr Bryan Dixon
Non-Executive Director

Solicitors

Cardinals
Lawyers and Consultants
60 Havelock Street
WEST PERTH WA 6005

Company Secretary

Mr Barry Woodhouse

Auditor*

Bentleys
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WEST PERTH WA 6005

Registered Office & Contact Details

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Share Registry*

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ASX Codes

LIT
LITCE

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

2. TIMETABLE AND IMPORTANT DATES

Indicative timetable for Offer

Lodgement of Prospectus with ASIC and ASX	26 February 2018
Closing Date of the Offer	29 June 2018
Issue of New Securities and despatch of holding statements	28 February 2018 for the Minimum Subscription and thereafter to occur progressively for further subscriptions

**The above dates are indicative only and may change without notice subject to the Corporations Act, ASX Listing Rules and other applicable laws. In particular, the Company reserves the right to extend the closing date of the Offer or close the Offer early without notice, which may have a consequential effect on other dates set out above. The Company also reserves the right to not proceed with the Offer at any time before the issue of Securities to applicants.*

Key Offer Information

Pro Forma capital structure

Securities offered under this Prospectus	
Offer price per New Share	Nil cash consideration
New Shares offered for subscription under this Prospectus	61,151,326
New Partly Paid Shares offered for subscription under this Prospectus	30,575,663
General	
Total Shares on issue as at the date of this Prospectus	348,518,777
Total Partly Paid Shares on issue as at the date of this Prospectus	132,850,148
Total Options on issue as at the date of this Prospectus	21,391,666
Total Performance Rights on issue as at the date of this Prospectus	25,340,000
Total Shares on issue following completion of the Offer (undiluted)	
• Minimum Subscription	394,382,272
• Maximum Subscription	409,670,103
Total Partly Paid Shares on issue following completion of the Offer (undiluted)	
• Minimum Subscription	155,781,896
• Maximum Subscription	163,425,811
Options on issue following completion of the Offer	21,391,666
Performance Rights on issue following completion of the Offer	25,340,000

Note:

Refer to Section 6.4 for further details relating to the current and proposed capital structure of the Company.

3. IMPORTANT NOTES

This Prospectus is dated 26 February 2018 and was lodged with ASIC on that date. ASIC and its officers take no responsibility for the contents of this Prospectus. No person or entity is authorised to give any information or make any representation in connection with the Offer which is not contained in this Prospectus. Any information or representation not contained in this Prospectus must not be relied on as having been authorised by the Company in connection with the Offer or this Prospectus.

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

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

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

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

3.1 Applicants outside Australia and New Zealand

The distribution of this Prospectus in jurisdictions outside Australia and New Zealand may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. A failure to comply with these restrictions may violate applicable securities laws. This Prospectus does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus. If you are resident of a country other than Australia or New Zealand:

- you should consult your professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed; and
- it is your responsibility to obtain all necessary approvals for the issue of New Securities pursuant to this Prospectus.

The return of a completed Application Form will be taken by the Company to constitute a representation and warranty by you that all those relevant approvals have been obtained. No action has been taken by the Company to register or qualify any of the New Securities or otherwise permit a public offering of the New Securities the subject of this Prospectus in any jurisdiction other than Australia or New Zealand.

3.2 Key Risks

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

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

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

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

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

Additional Requirements for Capital

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

Title Risk

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

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

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

Exploration Risks

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

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

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

Risk of Forfeiture of Partly Paid Shares

As the Company is a 'no liability' company, a holder of a Partly Paid Share is not under any contractual obligation to pay a call in respect of the unpaid amount of a Partly Paid Share. However, if a call on a Partly Paid Share is not paid within the period specified in the call (subject to the Constitution), the Partly Paid Share will be liable to forfeiture and may be sold by the Company via public auction in accordance with the Constitution.

As set out in the Constitution, the proceeds of the sale of such forfeited Partly Paid Shares must be applied first to the expenses of the auction, then to any expenses necessarily incurred in respect of the forfeiture and to calls on the Partly Paid Shares that are due and unpaid. The balance of the proceeds (if any) will be paid to the registered holder whose Partly Paid Shares were forfeited and sold.

Country Risk

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

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

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

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

Access Risk - Native Title and Aboriginal Heritage

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

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

Reliance on Key Personnel

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

Exploration Costs

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

Contractual and Joint Venture Risk

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

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

Intellectual Property Risk

The Company currently holds exclusive licensing arrangements for LMax lithium extraction technology. Lepidico Ltd is the licensor. The Company understands Lepidico has protected the IP by way of patent applications. The LMax technology, as licensed to the Company is applicable to the recovery of lithium from micas. There can be no assurance that any third party to the licence agreement will abide by and perform their obligations under any such agreement. There is also a risk that the licences may be terminated in the event of breach.

The Company is the owner of a patent application for extraction technology, the Sileach® process, which is significantly broader than L-Max®, and applicable to all lithium bearing silicates, including the micas and spodumene. The grant of a patent does not guarantee that the patent concerned is valid or that the technology (patented or otherwise) does not infringe the rights of others.

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

The commercialisation of a new technology, including the Sileach® process and development of the Large-Scale Pilot Plant (LSPP), carries the risk that at any stage of development, it may be deemed uncommercial for a variety of reasons including the development of newer and better technologies. A failure to achieve commercialisation of the Company's extraction technologies will have a significant adverse impact on the Company's business model, operating results and financial position.

Lithium Feedstock for LSPP

There is no guarantee that the Company will reach commercial arrangements for the lithium feedstock for the LSPP. A failure to source appropriate lithium feedstock will have a significant adverse impact on the Company's business model, operating results and financial position.

Shareholder approval

The Company has sought and obtained Shareholder approval for the issue of New Shares and New Partly Paid Shares in connection with the Acquisition. However that approval will expire on 28 February 2018. Accordingly the issue of New Shares and New Partly Paid Shares pursuant to any subscriptions received after 28 February 2018 will require and be subject to the receipt of a further Shareholder approval at a general meeting of Shareholders to be requisitioned and held. There may be a delay in requisitioning such a meeting and there can be no guarantee that Shareholders will grant such further approval.

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

3.3 Forward Looking Statements

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

These statements relate to intentions and future acts and events. They are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, the Directors and the Company's management, which could cause these future acts, events and circumstances to differ from the way or manner in which they are expressly or implicitly portrayed in this Prospectus. Some of these risk factors are set out in Section 3.2 and Section 8.

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

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

3.4 Website

No document or information on the Company's website is incorporated by reference into, or forms part of, this Prospectus, unless expressly included.

3.5 Definitions

Throughout this Prospectus abbreviations and defined terms are used. Defined terms are generally identifiable by the use of an upper case first letter and the definitions of those terms are contained in the Glossary in Section 11.

4. INVESTMENT OVERVIEW

Item	Summary	Further Information
What is the Offer?	The Company is offering to issue up to 61,151,326 New Shares and up to 30,575,663 New Partly Paid Shares to the Vendors as consideration for the sale and purchase of each Vendor's VSPC Shares pro rata in proportion to the number of VSPC Shares held by them respectively on the basis of 5.8 New Shares and 2.9 New Partly Paid Shares for every 1 VSPC Share held . The Offer is only capable of acceptance by the Vendors.	Section 5.1
Who is eligible to participate in the Offer?	Only the Vendors, being persons who are shareholders in VSPC, are eligible to participate in the Offer.	Section 5.1
Are Vendors required to do anything?	The Vendors must complete and submit an Application Form for the New Securities to which they are entitled, as set out in the personalised Application Form attached to or accompanying this Prospectus. Applications will only be accepted if made in the same name as the Vendor.	Section 5.2
What is the effect of accepting the Offer?	<p>By accepting the Offer, Vendors will be deemed to transfer their VSPC Shares to the Company in exchange for New Securities issued to Vendors under the Offer, being 5.8 New Shares and 2.9 New Partly Paid Shares for every 1 VSPC Share held.</p> <p>The New Shares offered pursuant to the Offer will rank equally in all respects with the existing Shares except to the extent of any voluntary escrow restrictions that may be imposed on any of the New Shares as set out in this Section 4, in Section 5.6 and in Section 9.1 and/or any escrow restrictions that may be imposed by ASX on any of the New Shares pursuant to Chapter 9 of the Listing Rules.</p> <p>The New Partly Paid Shares offered pursuant to the Offer will rank equally in all respects with the existing Partly Paid Shares except to the extent of any restrictions that may be imposed by ASX on any of the New Partly Paid Shares pursuant to Chapter 9 of the Listing Rules.</p>	Section 5.1

<p>Will the New Securities be subject to any escrow period?</p>	<p>Under the Acquisition Agreement, the parties have agreed that the New Shares issued as part of the consideration for the Acquisition will be subject to a period of escrow as follows:</p> <ul style="list-style-type: none"> • 25% of the New Shares will be subject to a voluntary escrow period of 90 days from the date of Completion; • 25% of the New Shares will be subject to a voluntary escrow period of 180 days from the date of Completion; • 25% of the New Shares will be subject to a voluntary escrow period of 270 days from the date of Completion; and • 25% of the New Shares will be subject to a voluntary escrow period of 360 days from the date of Completion, <p>subject always to the requirements of the ASX Listing Rules and any restriction periods that ASX may apply. The New Partly Paid Shares will not be subject to any voluntary escrow period. Please see Section 5.6 and Section 9.1 for further information about the escrow requirements and the Acquisition Agreement.</p>	<p>Section 5.6 and Section 9.1</p>
<p>Will the New Shares and New Partly Paid Shares be quoted on ASX?</p>	<p>The Company will apply to the ASX for Quotation of the New Securities offered under this Prospectus within seven (7) days of the date of this Prospectus. If the ASX does not grant permission for Quotation of the New Securities within three (3) months after the date of this Prospectus, or such longer period as is varied by ASIC, the Company will not issue or allot the New Securities offered for subscription under this Prospectus.</p>	<p>Section 5.10</p>
<p>How many New Securities Shares will be issued?</p>	<p>At the date of this Prospectus the maximum number of New Securities that will be issued under the Offer is 61,151,326 New Shares and 30,575,663 New Partly Paid Shares.</p>	<p>Section 5.1</p>
<p>What is the minimum subscription under the Offer?</p>	<p>The Offer is subject to a minimum subscription requirement of 45,863,495 New Shares and 22,931,748 New Partly Paid Shares. .</p>	<p>Section 5.5</p>
<p>What are the conditions of the Offer?</p>	<p>The Offer is conditional upon:</p> <ul style="list-style-type: none"> • Shareholder approval for the issue of New Securities to complete the acquisition under the Acquisition Agreement and such approval remaining valid and current at Completion. The Company has sought and obtained Shareholder approval for the issue of New Shares and New Partly Paid Shares in connection with the Acquisition. 	<p>Section 5.1 and Section 9.1</p>

	<p>However that approval will expire on 28 February 2018. Accordingly the issue of New Shares and New Partly Paid Shares pursuant to any subscriptions received after 28 February 2018 will require and be subject to the receipt of a further Shareholder approval at a general meeting of Shareholders to be requisitioned and held. There may be a delay in requisitioning such a meeting and there can be no guarantee that Shareholders will grant such further approval.</p> <ul style="list-style-type: none"> • Acceptances being received from Vendors holding on aggregate at least 75% of the VSPC Shares(including those Vendors agreeing to be bound by the restrictions imposed on the New Shares in accordance with Section 5.6 and Section 9.1 and any restrictions that may be imposed by ASX on any of the New Shares offered under the Offer pursuant to Chapter 9 of the Listing Rules). • Applications for New Securities to be issued as consideration under the Acquisition Agreement being made under this Prospectus. • Completion occurring under the Acquisition Agreement (which is in turn subject to the satisfaction of conditions precedent set out in Section 9.1). • The execution by each Vendor that applies for New Shares of a voluntary escrow deed, in the form provided by the Company, in respect of the New Shares applied for. <p>No New Securities will be issued under this Prospectus unless these conditions are fulfilled.</p> <p>A meeting to seek Shareholder approval for the issue of the New Securities was held on 30 November 2017 and Shareholder approval was obtained.</p>	
<p>Will I be liable for calls made on the New Partly Paid Shares?</p>	<p>As the Company is a 'no liability' company, a holder of a New Partly Paid Share is not under any contractual obligation to pay a call in respect of the unpaid amount of a New Partly Paid Share. However, if a call is not paid, the New Partly Paid Share will be liable to forfeiture and may be sold by the Company via public auction in accordance with the Constitution and the Corporations Act. Please see Section 7.1 for full terms of the New Partly Paid Shares.</p>	<p>Sections 5.1 and 7.1</p>

<p>What is the amount that will be raised under the Offer?</p>	<p>No funds will be raised under the Offer. The Company will receive funds of up to \$7,640,858 upon the New Partly Paid Shares being fully paid up in their entirety.</p>	<p>Section 5.1</p>
<p>What is the purpose of the Offer?</p>	<p>The purpose of the Offer is to acquire all of each Vendor's VSPC Shares (in consideration for the issue to each Vendor of the New Securities), thereby enabling the Company to complete the Acquisition, and to remove any secondary sale restrictions applicable to the New Securities.</p>	<p>Section 6.1</p>
<p>What are the key risks of a further investment in the Company?</p>	<p>The New Securities offered under this Prospectus are considered highly speculative. You should carefully consider the risk factors set out in this Prospectus, the information contained in other sections of this Prospectus, and all other public announcements and reports of the Company. For further information on specific risks relevant to the Company please refer to Section 3.2 and Section 8. These risks include:</p> <ul style="list-style-type: none"> • The lithium extraction technology being developed by the Company may not be successful and/or that it may not be able to be commercially exploited, and/or that the technology may not be adequately protected, or protected at all, under the relevant intellectual property laws to prevent its use by other parties. • The Company's projects are early stage exploration tenements with significant exploration risk. • The Company's future capital needs and additional funding may be required to complete the proposed exploration and development programme. • As an emerging developer with no production or income, the Company is exposed to general market and economic condition risks. • As the Company is a 'no liability' company, a holder of a Partly Paid Share is not under any legal obligation to pay a call in respect of the unpaid amount of a Partly Paid Share. However, if a call on a Partly Paid Share is not paid within the period specified in the call (subject to the Constitution), the Partly Paid Share will be liable to forfeiture and may be sold by the Company via public auction in accordance with the Constitution. 	<p>Sections 3.2 and 8</p>

<p>What is the effect of the Offer on the Company's share capital and cash reserves?</p>	<p>The effect of the Offer on the Company's share capital and cash reserves is to:</p> <ul style="list-style-type: none"> • increase the number of Shares and Partly Paid Shares on issue; and • decrease cash reserves by up to approximately \$30,000, being the estimated costs of the Offer. 	<p>Section 6.2</p>
<p>What is the effect of the Offer on control of the Company?</p>	<p>The Offer is not expected to have any material impact on the control of the Company.</p>	<p>Section 6.6</p>
<p>How can I obtain further advice?</p>	<p>Contact the Company Secretary on +61 6145 0288 at any time during business hours (WST) until the Closing Date. Alternatively, consult with your broker or other professional adviser.</p>	<p>Section 5.11</p>

5. DETAILS OF THE OFFER

5.1 The Offer

This Offer, being an offer of up to a maximum of 61,151,326 New Shares and 30,575,663 New Partly Paid Shares to those persons who hold VSPC Shares (each a **Vendor**) (and/or their nominees), with a minimum subscription requirement of 45,863,495 New Shares and 22,931,748 New Partly Paid Shares, in consideration for the acquisition of the Vendors' VSPC Shares. Accordingly, no cash funds will be raised under the Offer. Only the Vendors (and/or their nominees) may accept the Offer.

The New Securities will be issued pro-rata to each of the Vendors in accordance with their shareholding in VSPC on the basis of **5.8 New Shares and 2.9 New Partly Paid Shares for every 1 VSPC Share held**. Each Vendor is entitled to subscribe for the number of New Securities set out in their personalised Application Form. A Vendor may not subscribe for a greater number of New Securities than the number they are entitled to as set out in their personalised Application Form. If you are a Vendor, please refer to Section 5.2 for details on how to apply for New Securities under the Offer.

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

Application for quotation of the New Shares and New Partly Paid Shares issued under the Offer (not subject to escrow) will be made to the ASX no later than 7 days after the date of this Prospectus.

Only the Vendors may accept the Offer. A personalised Application Form in relation to the Offer will be issued to the Vendors together with a copy of this Prospectus.

By accepting the Offer, Vendors will be deemed to transfer all, and not some, of their respective VSPC Shares to the Company in exchange for the appropriate number of the New Securities offered to Vendors under the Offer.

The New Shares issued pursuant to the Offer will rank equally in all respects with the existing Shares on issue except to the extent of the restrictions imposed on the New Shares as set out in Section 5.6 and Section 9.1 and any restrictions that may be imposed by ASX on any of the New Shares offered under the Offer pursuant to Chapter 9 of the Listing Rules. By accepting the Offer, Vendors will be deemed to accept those restrictions.

The New Partly Paid Shares issued pursuant to the Offer will rank equally in all respects with the existing Partly Paid Shares on issue except to the extent of the restrictions imposed on the New Partly Paid Shares and any restrictions that may be imposed by ASX on any of the New Partly Paid Shares offered under the Offer pursuant to Chapter 9 of the Listing Rules. By accepting the Offer, Vendors will be deemed to accept those restrictions.

The Offer is conditional upon:

- Shareholder approval for the issue of New Securities to complete the acquisition under the Acquisition Agreement. A meeting to seek Shareholder approval for the issue of the New Securities was held on 30 November 2017 and Shareholder approval was obtained.
- In respect of any subscriptions for New Securities received after 28 February 2018, the receipt of a further Shareholder approval at a general meeting of Shareholders that will be requisitioned and held for the issue of those New Securities, as the Shareholder approval referred to above expires on 28 February 2018.
- Acceptances being received from Vendors holding in aggregate at least 75% of the

VSPC Shares, being the Minimum Subscription, (including those Vendors agreeing to be bound by the restrictions imposed on the New Shares under the Acquisition Agreement (as set out in Section 5.6 and Section 9.1).

- Each Vendor that accepts the Offer by submitting an Application Form in accordance with this Prospectus providing the Company with an original executed voluntary escrow deed, in the form provided by the Company, in respect of the New Shares applied for.
- Completion occurring under the Acquisition Agreement.
- No material breach of the warranties contained in the Acquisition Agreement occurring on or before Completion.

No New Securities will be issued under this Prospectus unless the conditions to Completion are fulfilled or waived. A summary of the conditions to Completion is set out in Section 9.1.

The Offer will open at 9:00am WST on 26 February 2018 (**Opening Date**) and close at 5:00pm WST on 29 June 2018 (**Closing Date**), or such later date as the Directors, in their absolute discretion and subject to compliance with the Corporations Act and Listing Rules, may determine.

The purpose of the Offer is set out in Sections 4 and 6.1.

5.2 Actions required by Vendors

You may only participate in the Offer if you are a Vendor. Applications for New Securities must only be made using the Application Form. Applications for New Securities will only be accepted if made using the same name as the Vendor.

If you are a Vendor and wish to accept the Offer, complete your personalised Application Form in accordance with the instructions set out on that form. Your personalised Application Form must be accompanied by the original title documents of your VSPC Shares and an original executed voluntary escrow deed, in the form provided by the Company, in respect of the New Securities you are applying for under this Prospectus. If the original title documents of your VSPC Shares have been lost or destroyed, your personalised Application Form must be accompanied by a statutory declaration, undertaking and indemnity given by you and otherwise in accordance with section 1070D of the Corporations Act.

By accepting the Offer by completing and returning your personalised Application Form the accepting Vendor acknowledges that the New Shares applied for will be subject to a voluntary escrow period, details of which are set out in Section 5.6, and the Vendor agrees to be bound by such voluntary escrow and such classification.

By completing that Application Form, each Applicant under the Offer will be taken to have represented, warranted, agreed and acknowledged that:

- all details and statements made by that Applicant are complete and accurate;
- that Applicant has personally received the Application Form together with a complete and unaltered copy of the Prospectus;
- that Applicant agrees to become a member of the Company and to be bound by the terms of the Constitution and the terms and conditions of the Offer;
- that Applicant is eligible to receive New Shares and New Partly Paid Shares under the Offer;

- that Applicant understands that the New Shares and New Partly Paid Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any State of the United States and may not be offered, sold or resold in the United States except in transactions exempt from, or not subject to, registration requirements of the US Securities Act and applicable US State securities laws;
- that Applicant is not a resident of the United States of America; and
- that Applicant has not sent and will not send the Prospectus or any other material relating to the Offer to any person in the United States of America.

If an Application Form is not completed correctly, the Company may, in its discretion, still treat the Application Form to be valid. The Company's decision to treat an Application as valid, or on how to construe, amend or complete it, will be final.

Once an Application has been made it cannot be revoked.

All valid Applications shall be deemed accepted if received before the Closing Date and accompanied by original title documents to your VSPC Shares and an original executed voluntary escrow deed, in the form provided by the Company, in respect of the New Securities applied for.

Completed Application Forms (and accompanying title documents to your VSPC Shares and an original executed voluntary escrow deed, in the form provided by the Company, in respect of the New Securities applied for) must be delivered to:

Lithium Australia NL
Level 1, 675 Murray Street
WEST PERTH WA 6005

and reach the above address by no later than 5:00pm (AWST) on the Closing Date.

5.3 Issue of New Securities

Subject to the Minimum Subscription being reached, the New Securities issued under this Prospectus will be issued in accordance with the Listing Rules and the timetable in Section 2. The Company will allot the New Securities on the basis of the entitlement of the Vendors under the Offer.

Holding statements for New Securities issued under the Offer will be mailed in accordance with the Listing Rules and the timetable set out in Section 2.

5.4 Maximum Subscription

The maximum subscription to the Offer is 61,151,326 New Shares together with 30,575,663 New Partly Paid Shares.

5.5 Minimum Subscription

The minimum subscription under this Prospectus is 45,863,495 New Shares and 22,931,747 New Partly Paid Shares, representing consideration to be issued for the acquisition of 75% of the VSPC Shares in accordance with the Acquisition Agreement. If the Minimum Subscription is not reached within four (4) months after the date of lodgement of this Prospectus, the Company will thereafter issue a supplementary prospectus or replacement prospectus and allow each Vendor that has completed and submitted its Application Form one (1) month to withdraw their application.

5.6 Restricted Securities

The New Shares will be subject to a voluntary escrow period of up to 12 months. Each Vendor that accepts the Offer will be required to execute an escrow deed as a condition of their acceptance.

The New Shares issued as consideration for the Acquisition will be subject to a period of escrow as follows:

- 25% of the New Shares will be subject to a voluntary escrow period of 90 days from the date of completion of the Acquisition;
- 25% of the New Shares will be subject to a voluntary escrow period of 180 days from the date of completion of the Acquisition;
- 25% of the New Shares will be subject to a voluntary escrow period of 270 days from the date of completion of the Acquisition; and
- 25% of the New Shares will be subject to a voluntary escrow period of 360 days from the date of completion of the Acquisition,

subject always to the requirements of the ASX Listing Rules and any restriction periods that ASX may apply.

None of the New Partly Paid Shares issued under the Offer will be subject to any voluntary escrow restrictions.

The Company will announce to the ASX details of the number and duration of the New Shares that are to be held in escrow prior to the New Shares commencing trading on the ASX.

5.7 Calls on New Partly Paid Shares

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

As set out in the Constitution, the proceeds of the sale of such forfeited Partly Paid Shares must be applied first to the expenses of the auction, then to any expenses necessarily incurred in respect of the forfeiture and then to calls on the Partly Paid Shares that are due and unpaid. The balance of the proceeds (if any) will be paid to the registered holder whose Partly Paid Shares were forfeited and sold.

Please see Section 7.1 for full terms of the New Partly Paid Shares.

5.8 Who is Eligible to Participate in the Offer

The Offer is only open to the Vendors and no person other than a Vendor is entitled to participate in the Offer.

5.9 Vendors outside Australia and New Zealand

The distribution of this Prospectus in jurisdictions outside Australia and New Zealand may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. A failure to comply with these restrictions may violate those applicable laws. This Prospectus does not, and is not intended to, constitute an offer or invitation to subscribe in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus. If you are

resident of a country other than Australia or New Zealand you should consult your professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed. No action has been taken by the Company to register or qualify the New Shares and New Partly Paid Shares or otherwise permit a public offering of the New Shares and New Partly Paid Shares the subject of this Prospectus in any jurisdiction outside of Australia or New Zealand. If you are a resident of a country other than Australia or New Zealand it is your responsibility to obtain all necessary approvals for the subscription for the New Shares and New Partly Paid Shares pursuant to this Prospectus.

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

5.10 ASX Listing

The Company will apply to the ASX for Quotation of the New Securities offered under this Prospectus within seven (7) days of the date of this Prospectus. If the ASX does not grant permission for Quotation of the New Securities within three (3) months after the date of this Prospectus, or such longer period as is varied by ASIC, the Company will not issue or allot the New Securities offered for subscription under this Prospectus.

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

5.11 Queries

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

6. PURPOSE AND EFFECT OF THE OFFER

6.1 Purpose of the Offer

The purpose of the Offer is to issue the New Securities to the Vendors as consideration for the acquisition by the Company of all their respective VSPC Shares. The Company has entered into the Acquisition Agreement, under which it has agreed to acquire 44.44% of the VSPC Shares that are held by associated entities of the directors of VSPC, as well as by key management personnel of VSPC.

The Offer:

- extends the Company's offer to acquire VSPC Shares to all other VSPC shareholders that are not a party to the Acquisition Agreement;
- allows those VSPC shareholders that are a party to the Acquisition Agreement also to subscribe for the New Securities that they are entitled to receive under the Acquisition Agreement; and
- serves to remove any secondary sale restrictions applicable to the New Securities issued under the Offer.

Further details of the Acquisition Agreement are set out in Section 9.1. Please refer to Section 10.6 for further details relating to the estimated expenses of the Offer.

No funds will be raised from the issue of the New Securities as they are being issued as consideration for the acquisition of VSPC Shares. The Company will be entitled to receive \$0.2499 for every New Partly Paid Share that becomes fully paid. The likelihood of the Company raising additional capital by making calls on the New Partly Paid Shares will depend on the market price of the Shares from time to time and the future capital requirements of the Company. Accordingly if all the New Partly Paid Shares are fully called and fully paid up, the Company will receive funds of up to approximately \$7,640,858.

The proceeds received from any calls on the New Partly Paid Shares are intended to be applied towards meeting future working capital requirements of the Company at the time of the call, at the discretion of the Board.

6.2 Effect of the Offer

The principal effect of the Offer, assuming Maximum Subscription is achieved, will be to increase:

- the number of Shares on issue from 348,518,777 as at the date of this Prospectus up to 409,670,103 following completion of the Offer; and
- the number of Partly Paid Shares on issue from 132,850,148 as at the date of this Prospectus up to 163,425,811 following completion of the Offer (assuming no existing Partly Paid Shares are paid up and converted to Shares and no Options or Performance Rights are exercised before that date).

Except for the payment of the costs of the Offer (estimated to be approximately \$30,000, the Offer will not have any impact on the financial position of the Company.

6.3 Pro-Forma Unaudited Consolidated Statement of Financial Position

The unaudited Consolidated State of Financial Position as at 31 January 2018 and the Pro-Forma Unaudited Consolidated Statement of Financial Position as at 31 January 2018 shown below have been prepared on the basis of the accounting policies normally adopted by the Company and reflect the changes to its financial position. The Pro-Forma Unaudited Consolidated Statement of Financial Position (which has not been audited or reviewed by an auditor) has been prepared on the assumption that the maximum number of New Securities offered under this Prospectus are issued.

The Pro-Forma Unaudited Consolidated Statement of Financial Position has been prepared to provide Shareholders with information on the assets and liabilities of the Company and pro-forma assets and liabilities of the Company as noted below. The historical and pro-forma financial information is presented in an abbreviated form, insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements.

The Pro-Forma Unaudited Consolidated Statement of Financial Position is provided for illustrative purposes only and is not represented as being indicative of the Company's view of the future financial position of the Company. It will not necessarily reflect the actual position and balances as at the date on which New Securities are issued under this Prospectus.

		Unaudited 31 January 2018	Pro Forma Acquisition	Pro Forma After Acquisition
Current assets		\$	\$	\$
Cash and cash equivalents		15,239,652	(30,000) ¹	15,209,652
Trade and other receivables		173,409	-	173,409
Total current assets		15,413,061	(30,000)	15,383,061
Non-current assets				
Financial assets		3,578,158	-	3,578,158
Exploration Expenditure		2,968,453		2,968,453
Intangible assets	2	4,507,196	7,613,340	12,120,536
Plant & equipment		95,022	-	95,022
Total non-current assets		11,148,829	7,613,340	18,762,169
Total assets		26,561,890	7,583,340	34,145,230
Current liabilities				
Trade and other payables		985,873	-	985,873
Provisions		62,938	-	62,938
Total current liabilities		1,048,811	-	1,048,811
Total liabilities		1,048,811	-	1,048,811
Net assets		25,513,079	7,583,340	33,096,419
Equity				
Contributed equity	1 & 2	36,610,974	7,613,340	44,224,314
Reserves		3,641,218	-	3,641,218
Accumulated losses		(14,739,113)	(30,000)	(14,769,113)

Total equity	25,513,079	7,583,340	33,096,419
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The above pro forma consolidated statement of financial position after the Offer is as per the consolidated statement of financial position before the acquisition of the VSPC Shares, adjusted for the transactions relating to the issue of New Securities pursuant to this Prospectus.

Note 1 – Includes the current estimated costs of the Offer.

Note 2 – The VSPC acquisition was announced when the Share price closed at \$0.12 per Share. The value of the Shares issued is based on the closing price at the time the deal was announced. The final value will depend on the Share price as at Completion.

6.4 Effect on Capital Structure

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

Capital Structure on Completion of the Offer

	Balance at date of Prospectus	To be issued under the Offer (Minimum Subscription)	To be issued under the Offer (Maximum Subscription)	Balance after the Offer (Minimum Subscription)	Balance after the Offer (Maximum Subscription)
Shares	348,518,777 ⁽¹⁾	45,863,495	61,151,326	394,382,272	409,670,103
Partly Paid Shares	132,850,148	22,931,748	30,575,663	155,781,896	163,425,811
Options	21,391,666 ⁽²⁾	Nil	Nil	21,391,666	21,391,666
Performance Rights	25,340,000 ⁽³⁾	Nil	Nil	25,340,000	25,340,000

(1) Assuming no Partly Paid Shares are paid up beyond \$0.0001 per Partly Paid Share and no Shares are issued as the result of an exercise of any Options or Performance Rights.

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

(3) The number, terms and conditions of the Performance Rights (being Class A Performance Rights, Class B Performance Rights, Class C Performance Rights and Class D Performance Rights) are set out below.

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

	Number
Options currently on issue	
Unquoted Options exercisable at \$0.15 on or before 1 July 2019	4,316,666
Unquoted Options exercisable at \$0.20 on or before 1 July 2019	7,875,000
Unquoted Options exercisable at \$0.30 on or before 1 July 2019	9,200,000
Total Options on issue	21,391,666

Details of Class A Performance Rights

Each Class A Performance Right entitles the holder to be issued one Share on the terms outlined in the Company's Notices of Meeting dated 15 July 2015 and 30 November 2015,

which includes the vesting conditions and the performance conditions of the Class A Performance Rights. The following table identifies each hurdle to be reached for each of the Class A Performance Rights along with the total number of Class A Performance Rights issued.

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

Details of Class B Performance Rights

Each Class B Performance Right entitles the holder to be issued one Share on the terms outlined in the Company's Notice of Meeting dated 19 October 2016, which includes the vesting conditions and the performance conditions of the Class B Performance Rights. The following table identifies each hurdle to be reached for each of the Class B Performance Rights along with the total number of Class B Performance Rights issued.

Hurdle Type	Hurdle Description	Number Issued
Long-term	Successful pre-feasibility study on SiLeach® technology	1,500,000
	Total	1,500,000

Details of Class C Performance Rights

Each Class C Performance Right entitles the holder to be issued one Share on the terms outlined in the Company's Notice of Meeting dated 19 October 2016, which includes the vesting conditions and the performance conditions of the Class C Performance Rights. The following table identifies each hurdle to be reached for each of the Class C Performance Rights along with the total number of Class C Performance Rights issued.

Hurdle Type	Hurdle Description	Number Issued
Long-term	Procurement of feed to support a 17,000tpa lithium carbonate from SiLeach® plant	3,000,000
	Total	3,000,000

Details of Class D Performance Rights

Each Class D Performance Right entitles the holder to be issued one Share on the terms outlined in the Company's Notice of Meeting dated 19 October 2016, which includes the vesting conditions and the performance conditions of the Class D Performance Rights. The following table identifies each hurdle to be reached for each of the Class D Performance Rights along with the total number of Class D Performance Rights issued.

Hurdle Type	Hurdle Description	Number Issued
Long-term	Commitment decision to large-scale pilot facility	4,500,000
	Total	4,500,000

Details of Class E Performance Rights

Each Class E Performance Right entitles the holder to be issued one Share on the terms outlined in the Company's Notice of Meeting dated 19 October 2016, which includes the vesting conditions and the performance conditions of the Class D Performance Rights. The following table identifies each hurdle to be reached for each of the Class E Performance Rights along with the total number of Class D Performance Rights issued.

Hurdle Type	Hurdle Description	Number Issued
Long-term	Financial investment decision for full-scale development plant	6,000,000
	Total	6,000,000

On a fully diluted basis the Company would have 528,100,591 Shares on issue at the date of this Prospectus and 619,827,580 Shares on issue at completion of the Offer on the basis of Maximum Subscription, assuming all Options and Performance Rights on issue are exercised and all Partly Paid Shares are paid up and converted to Shares prior to completion of the Offer.

None of the Securities on issue as at the date of this Prospectus are subject to escrow restrictions, either voluntary or imposed by ASX.

6.5 Details of Substantial Holders

As at the date of this Prospectus, no persons (together with their associates) have a relevant interest in 5% or more of the Shares on issue or will have a relevant interest in 5% or more of the Shares on issue after completion of the Offer (assuming all of the New Securities offered under this Prospectus are subscribed for and issued).

6.6 Effect of Control on the Company

The Offer is not expected to have any impact on control of the Company due to the number of Vendors to whom New Securities are proposed to be issued under the Offer, and the relative voting power that will be acquired by the Vendors as a result of their acquisition of New Securities in the course of the Acquisition.

7. RIGHTS AND LIABILITIES ATTACHING TO NEW SECURITIES

7.1 Rights Attaching to New Partly Paid Shares

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

- (a) Each New Partly Paid Share:
- (i) will be allotted and issued at a total issue price of \$0.25 per New Partly Paid Share;
 - (ii) is deemed to be paid up to \$0.0001;
 - (iii) has an initial unpaid amount of \$0.2499;
 - (iv) carries the right to participate in new issues of securities to holders of fully paid Shares (except bonus issues) on the same basis as Shareholders;
 - (v) carries the right to participate in bonus issues of securities in the proportion which the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited) and, further, each holder of New Partly Paid Shares (each a **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);
 - (vii) carries the right to participate in dividends in the proportion which the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited) and otherwise on the same basis as Shareholders;
 - (viii) any New Partly Paid Shareholder may elect at any time to pay the unpaid amount for any number of New Partly Paid Shares held (**Unpaid Amount**) by delivering to the Company's registered office:
 - (i) a notice stating the number of New Partly Paid Shares to be paid-up;
 - (ii) the relevant holding statement(s); and
 - (iii) a cheque (in Australian currency) made payable to the Company for an amount being the result of the Unpaid Amount multiplied by the number of New Partly Paid Shares being paid-up to become Shares, and

Immediately upon receipt of, and in exchange for, each of the items referred to in paragraph (a)(viii), the Company will credit the New Partly Paid Shares for the Unpaid Amount so that they become Shares and deliver updated holding statements to the New Partly Paid Shareholder in respect of all those Shares.

- (b) At least 14 Business Days' notice of any call will be provided to Partly Paid Shareholders.
- (c) Application for Quotation of the New Partly Paid Shares will be made to the ASX subject to the Listing Rules.
- (d) Should there be any conflict between these terms and the Listing Rules, the Listing Rules will prevail.
- (e) If the Company is listed on ASX and there is a reorganisation of the issued capital of the Company (including, but not limited to, a consolidation, subdivision, cancellation, reduction or return of capital):
 - (i) the number of New Partly Paid Shares must be reorganised in the same proportion as all other classes of shares on issue; and
 - (ii) the reorganisation must not involve a cancellation or reduction of the total amount payable and unpaid by Partly Paid Shareholders.
- (f) In accordance with Part 2H.3 of the Corporations Act and the Listing Rules, New Partly Paid Shareholders do not have a contractual obligation to pay calls in respect of the unpaid amount on their New Partly Paid Shares. However, the New Partly Paid Shares the subject of a call will be liable to forfeiture if a call remains unpaid at the end of 14 Business Days after it became payable. Forfeited New Partly Paid Shares may then be sold by the Company by public auction in accordance with the Corporations Act.
- (g) The proceeds of the sale of forfeited Partly Paid Shares must be applied first to the expenses of the auction, then to any expenses necessarily incurred in respect of the forfeiture and to calls on the Partly Paid Shares that are due and unpaid. The balance of the proceeds (if any) will be paid to the registered holder whose Partly Paid Shares were forfeited and sold.

7.2 Rights attaching to New Shares and Shares

New Shares, and Shares issued upon the New Partly Paid Shares becoming fully paid (both referred to as **Shares** in this Section 7.2), will rank equally in all respects with existing Shares (except to the extent of any restrictions that may be imposed on the New Shares in accordance with Section 5.6). The following is a general description of the more significant rights and liabilities attaching to the Shares. This summary is not exhaustive. Full details of provisions relating to rights attaching to the Shares are contained in the Corporations Act, Listing Rules and the Constitution. A copy of the Constitution is available for inspection at the Company's registered office during normal business hours.

(a) General meetings

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

Shareholders may requisition meetings in accordance with section 249D of the Corporations Act and the Constitution.

(b) Voting rights

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

- (i) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;

- (ii) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote, and
- (iii) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each fully paid security held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the security, but in respect of partly paid securities shall have such number of votes as bears the same proportion to the total of such securities registered in the Shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

(c) **Dividend rights**

Subject to the rights of persons (if any) entitled to securities with special rights to dividend, the Directors may declare a final dividend out of profits in accordance with the Corporations Act and may authorise the payment or crediting by the Company to the Shareholders of such a dividend. The Directors may authorise the payment or crediting by the Company to the Shareholders of such interim dividends as appear to the Directors to be justified by the profits of the Company. Subject to the rights of persons (if any) entitled to securities with special rights as to dividend, all dividends are to be declared and paid according to the amounts paid or credited as paid on the Shares in respect of which the dividend is paid. The Company may not pay interest in respect of any dividend, whether final or interim.

(d) **Winding up**

If the Company is wound up, the liquidator may, with the authority of a special resolution of the Company, divide among the Shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders. The liquidator may, with the authority of a special resolution of the Company, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Shareholder is compelled to accept any securities or other securities in respect of which there is any liability. Where an order is made for the winding-up of the Company or it is resolved by special resolution to wind up the Company, then on a distribution of assets to members, any securities classified as restricted securities at the time of the commencement of the winding up shall rank in priority after all other securities.

(e) **Transfer of securities**

Shares are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act.

(f) **Variation of rights**

Pursuant to section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of Shareholders, vary or abrogate the rights attaching to Shares.

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

8. RISK FACTORS

8.1 Introduction

The New Securities offered under this Prospectus are highly speculative.

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

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

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

KEY RISKS SPECIFIC TO THE COMPANY

8.2 Key Risks

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

- (a) Additional Requirements for Capital.
- (b) Title Risk.
- (c) Exploration Risk.
- (d) Risk of Forfeiture of Partly Paid Shares
- (e) Country Risk
- (f) Access Risk– Native Title and Aboriginal Heritage.
- (g) Reliance on Key Personnel.
- (h) Exploration Costs.
- (i) Contractual and Joint Venture Risk.
- (j) Intellectual Property Risks.
- (k) Lithium Feedstock for LSPP.
- (l) Shareholder Approval.

Details of these key risks are contained in Section 3.2 and have not been repeated in this Section 8.

INDUSTRY RISKS

8.3 Operating Risks

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

8.4 Resource Estimates

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

8.5 Commercial Risk

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

8.6 Commodity Price Volatility and Exchange Rate Risks

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

Furthermore, international prices of various commodities are denominated in United States dollars whereas the income and expenditure of the Company may be taken into account in Australian currency. This exposes the Company to the fluctuations and volatility of the rate of exchange, typically but not exclusively, between the United States dollar and the Australian dollar, as determined in international markets.

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

8.7 Insurance Risks

Exploration for and development of minerals involves hazards and risks that could result in the Company incurring losses or liabilities that could arise from its operations. If the Company incurs losses or liabilities which are not covered by its insurance policies, the funds available for exploration and development will be reduced and the value and/or title to the Company's assets may be at risk.

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

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

8.8 Litigation Risk

The Company may be subject to litigation and other claims, and it may be involved in disputes with other parties in the future which may result in litigation. Any such claim or dispute could result in negative publicity, and additional expenditure and, if proven, may impact adversely on the Company's operations, financial performance and financial position and. As at the date of this Prospectus, the Company is not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company.

8.9 Environmental Risks

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

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

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

8.10 Access to Infrastructure

There is limited capacity and high demand for rail and port services for the export of mineral products in Australia at the present time. If the Company progresses to production there is no guarantee that appropriate and affordable rail and port capacity will be available, which could have an adverse effect on the Company. In the event of production the Company will also require the use of both power and water infrastructure. Due to high demand for

power and water access there is a risk that the Company may not be able to procure such access which could have an adverse effect on the Company.

8.11 Competition

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

GENERAL INVESTMENT RISKS

8.12 General Economic Conditions

General economic conditions, introduction of tax reform, new legislation, the general level of activity within the resources industry, movements in interest, inflation and currency exchange rates may have an adverse effect on the Company's exploration, development and possible production activities, as well as on its ability to fund those activities.

8.13 Share Market Conditions

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

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

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

8.14 Volatility in Global Credit and Investment Markets

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

8.15 Government and Legal Risk

The introduction of new legislation or amendments to existing legislation by governments (including introduction of tax reform), developments in existing common law or the respective interpretation of the legal requirements in any of the legal jurisdictions which

govern the Company's operations or contractual obligations, could impact adversely on the assets, operations and ultimately the financial performance of the Company, or the Securities including the New Securities. The same adverse impact is possible by the introduction of new government policy or amendments to existing government policy, including such matters as access to lands and infrastructure, compliance with environmental regulations, taxation and royalties.

8.16 Unforeseen Expenditure Risk

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

8.17 Regulatory Approvals

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

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

9. MATERIAL CONTRACTS

The full terms of contracts to which the Company is a party that may be material in terms of the Offer or the operations of the Company or that otherwise are or may be relevant to a potential investor in the Company are not set out in this Prospectus. Summaries of these contracts are set out in this Section 9. If you wish to gain full knowledge of the contents of these contracts you can inspect a copy of them at the Company's registered office during normal business hours.

9.1 Acquisition Agreement

On 26 February 2018 the Company entered into a share sale and purchase agreement for the proposed acquisition of not less than 75% of, and up to 100% of, the issued capital of VSPC (**Acquisition Agreement**). Under the terms of the Acquisition Agreement, the consideration payable for the acquisition of VSPC is a cash payment of up to \$45,000 (depending on the length of the due diligence period under the Acquisition Agreement) and the issue of a Maximum Subscription of 61,151,326 New Shares and 30,575,663 New Partly Paid Shares. The Acquisition is subject to acceptance by Vendors holding at least 75% of the VSPC Shares, being the Minimum Subscription.

The Purchaser has undertaken to support the planned work programs of VSPC (as previously disclosed in writing to the Company) for a two year period and with a financial commitment of no less than US\$4,000,000 subject always to the achievement of the goals and targets of those planned work programs as disclosed to the Company and to any applicable statutory and fiduciary obligations of the Directors.

Completion under the Acquisition Agreement is conditional upon the following conditions precedent being satisfied or waived (if capable of being waived in accordance with the terms of the Acquisition Agreement):

- (a) the VSPC board providing the Company with a list of all current holders of VSPC Shares where the number of VSPC Shareholders does not exceed fifty in number;
- (b) the VSPC board verifying that at Completion there will be no related party loans or liabilities to which VSPC is a party or subject;
- (c) VSPC receiving a draft copy of a disclosure document issued in compliance with the provisions of Chapter 6.2D of the Corporations Act under which the Vendors will apply for the consideration for the Acquisition (this Prospectus being issued in satisfaction of this requirement) and the Company taking into account the reasonable comments of the VSPC board before lodging that disclosure document with ASIC or otherwise making it generally available;
- (d) the Company lodging this Prospectus with ASIC;
- (e) the entry by each Agreement Vendor and each Accepting Remaining Vendor into a voluntary escrow agreement in respect of the New Shares to be issued to each of them;
- (f) the Agreement Vendors procuring:
 - (i) the completion, execution and submission by Remaining Shareholders holding not less than 30.56% of the VSPC Shares of an Application Form; and
 - (ii) the entry by each of the Remaining Shareholders referred to in Section 9.1(f)(i) above into a voluntary escrow agreement in respect of the New Shares to be issued to each of them pursuant to this Prospectus;
- (g) upon request by the Company, any or all of the Vendors or Accepting Remaining Shareholders providing the Company with a duly executed waiver, approval or consent by each party entitled to exercise a pre-emptive or similar or other right in respect of the VSPC Shares whether conferred by the VSPC constitution or by agreement on terms acceptable to the Company that are necessary to transfer all

of the legal and beneficial interest in the VSPC Shares held by such Vendor or Accepting Remaining Shareholder;

- (h) the Company obtaining all consents, approvals, authorisations, waivers or clearances required or which the Company considers are necessary or desirable for all purposes in connection with the entry by the Company into the Acquisition Agreement and the transactions referred to in or contemplated by the Acquisition Agreement and such consents, approvals, authorisations, waivers or clearances remaining valid and current at Completion;
- (i) the Company being satisfied, acting reasonably, that total issued share capital of VSPC, including all VSPC Shares that would be issued upon the conversion of any security that is currently issued by VSPC, whether or not its holder is currently entitled to convert that security into a VSPC Share, is no more than 10,540,265 VSPC Shares;
- (j) the warranties given by the Vendor Warrantors are true, complete and accurate at Completion;
- (k) there has been no breach of clause 4 of the Acquisition Agreement by VSPC and/or the Vendors (as applicable) that has not been consented to in writing by the non-defaulting parties;
- (l) no material adverse change (as that term is defined in the Acquisition Agreement) occurring in connection with VSPC, the value of the VSPC Shares or the VSPC's intellectual property between the Commencement Date (as that term is defined in the Acquisition Agreement) and Completion.

The conditions precedent are required to be met on or before 11:59 p.m. WST on 27 February 2018 or such later date as the Company and VSPC may agree in writing provided always that this date will be automatically be extended until 30 April 2018 if the approval of Shareholders obtained under Resolution 4, or the approval of Shareholders obtained under Resolution 5, at the annual general meeting of Shareholders held on 30 November 2017 expires or becomes ineffective. Resolution 4 related to the issue of New Shares in connection with the Acquisition and Resolution 5 related to the issue of New Partly Paid Shares in connection with the Acquisition. Completion must take place as soon as practicable after the satisfaction or waiver of the conditions precedent but no later than the next Business Day after the date of satisfaction or waiver of all the conditions precedent, unless otherwise agreed in writing by the Company and VSPC. In the event that the date by which the conditions precedent are required to be met is automatically extended until 30 April 2018, Completion must take place as soon as practicable after satisfaction or waiver of the Conditions Precedent but no later than 5 Business Days after the date of the satisfaction or waiver of all the conditions precedent. New Shares issued as part of the consideration for the Acquisition will be subject to a period of escrow as follows:

- 25% of the New Shares will be subject to a voluntary escrow period of 90 days from the date of Completion;
- 25% of the New Shares will be subject to a voluntary escrow period of 180 days from the date of Completion;
- 25% of the New Shares will be subject to a voluntary escrow period of 270 days from the date of Completion; and
- 25% of the New Shares will be subject to a voluntary escrow period of 360 days from the date of Completion,

subject always to the requirements of the Listing Rules and any restriction periods that ASX may apply. The New Partly Paid Shares will not be subject to a voluntary escrow period.

The Acquisition Agreement contains other terms and conditions ordinarily found in an agreement of its type.

10. ADDITIONAL INFORMATION

10.1 Continuous disclosure obligations

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

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

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

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

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

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

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with ASIC in relation to the Company (not being documents referred to in section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of ASIC; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:
 - (i) the annual financial report of the Company for the financial year ended 30 June 2017, being the most recent annual report lodged by the Company with ASIC before the issue of this Prospectus;
 - (ii) any half-year financial report lodged by the Company with ASIC after the lodgement of the annual financial report referred to in paragraph (i) above and before the lodgement of this Prospectus with ASIC; and
 - (iii) any continuous disclosure documents given by the Company to ASX in accordance with the Listing Rules as referred to in section 674(1) of the Corporations Act after the lodgement of the annual financial report referred to in paragraph (i) above and before the lodgement of this Prospectus with ASIC.

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

The Company has lodged the following announcements with ASX since the lodgement of the Company's annual financial report for the financial year ended 30 June 2017 and before the lodgement of this Prospectus with ASIC:

Date	Description of Announcement
30/10/2017	Notice of General Meeting/Proxy Form
31/10/2017	Appendix 3B
01/11/2017	VSPC cathode product passes major milestone
09/11/2017	LIT advises Priority Share Offer for BlackEarth Minerals NL
14/11/2017	Appendix 3B
14/11/2017	Lithium Australia low emission strategy
16/11/2017	LIT advises a weeks extension to Priority Offer Record Date
27/11/2017	BlackEarth Minerals Replacement Prospectus lodged
01/12/2017	Chairman's Address to Shareholders 2017 AGM
01/12/2017	LIT 2017 AGM Results of Meeting
05/12/2017	LIT Priority Entitlement in BEM IPO closes Thursday
07/12/2017	Maiden lithium Mineral Resource estimate for Sadisdorf
08/12/2017	BlackEarth Minerals IPO has reached Minimum Subscription
13/12/2017	LIT commences drilling at Sadisdorf Saxony Germany
20/12/2017	LIT advises RM Research report
28/12/2017	LIT graphite spinout BEM receives conditional ASX approval
12/01/2018	SiLeach® process is novel and inventive and patentable
15/01/2018	LIT bolsters European strategy with German exploration licence
18/01/2018	BlackEarth Minerals NL admitted to Official List of ASX
18/01/2018	Becoming a substantial holder for BEM
25/01/2018	LIT Partner Tin Int. AG Granted Key Exploration Licence
31/01/2018	Quarterly Activities Report and Quarterly Cashflow Report
01/02/2018	Lithium Australia commits to SiLeach® large-scale pilot plant
07/02/2018	LIT 121 Mining Investment Presentation
07/02/2018	Investor Presentation at 121 Mining Conference Cape Town SA
13/02/2018	Appendix 3B

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

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

10.2 Market price of Shares and Partly Paid Shares

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

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

Shares (ASX Code: LIT)

Highest: \$0.21 on 27 November 2017, 5 January and 12 January 2018.

Lowest: \$0.16 on 6 December 2017 and 6 February 2018.

Last: \$0.17 on 26 February 2018.

Partly Paid Shares (ASX Code: LITCE)

Highest: \$0.04 on 14 and 15 January 2018.

Lowest: \$0.021 on 5 to 7 and 20 December 2017.

Last: \$0.027 on 21 February 2018.

10.3 Interests of Directors

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

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

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

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

Security Holdings

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

Shares and Partly Paid Shares

Name	Shares	LITCE Partly Paid Shares	Performance Rights ⁽¹⁾	Options
George Bauk	620,980	460,125	4,525,000	2,750,000
Adrian Griffin	9,782,980	5,935,869	9,050,000	5,175,000
Bryan Dixon	2,578,978	2,039,490	4,525,000	4,000,000

Notes:

- (1) Each Performance Right entitles the holder to one Share upon the achievement of certain hurdles as set out in Section 6.4.

Options

Name	Options exercisable at \$0.15 on or before 1/7/19	Options exercisable at \$0.20 on or before 1/7/19	Options exercisable at \$0.30 on or before 1/7/19
George Bauk	Nil	1,250,000	1,500,000
Adrian Griffin ⁽¹⁾	Nil	2,175,000	3,000,000
Bryan Dixon	1,250,000	1,250,000	1,500,000

Performance Rights

Name	Class A	Class B	Class C	Class D	Class E
George Bauk	2,025,000	250,000	500,000	750,000	1,000,000
Adrian Griffin	4,050,000	500,000	1,000,000	1,500,000	2,000,000
Bryan Dixon	2,025,000	250,000	500,000	750,000	1,000,000

Remuneration

The remuneration of an executive Director is decided by the Board, without the affected executive Director participating in that decision-making process. The total maximum remuneration of non-executive Directors is initially set by the Constitution and subsequent variation is by ordinary resolution of Shareholders in general meeting in accordance with the Constitution, the Corporations Act and the Listing Rules, as applicable. The determination of non-executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each non-executive Director. The current amount has been set at an amount not to exceed \$250,000 per annum.

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

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

period of seven (7) years after retirement, termination or resignation, except to the extent that such insurance cannot be procured at a reasonable cost or is otherwise unavailable to the Company. The Deeds also provide for the officer to have a right of access to Board papers and minutes.

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

Name	Year Ended 30 June 2016	Year Ended 30 June 2017	1 July 2017 to 31 December 2017
George Bauk ⁽¹⁾	\$173,000	\$126,361	\$37,500
Adrian Griffin	\$661,218	\$477,323	\$214,250
Bryan Dixon	\$172,500	\$114,111	\$30,000

Notes:

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

10.4 Interests of Experts and Advisers

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

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

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

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

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

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

Cardinals Lawyers and Consultants have acted as the solicitors to the Company in relation to the Offer. The Company estimates it will pay Cardinals Lawyers and Consultants approximately \$20,00 plus GST and disbursements for these services. During the 24 months preceding lodgement of this Prospectus with ASIC, the Company has paid fees of approximately \$213,550 plus GST and disbursements to Cardinals Lawyers and Consultants for legal and other services provided to the Company. The principal of Cardinals Lawyers and Consultants, Mr Richard Homsany, has a relevant interest in 80,000 Shares and 40,000 Partly Paid Shares.

10.5 Consents

Each of the parties referred to in this Section 10.5:

- (a) does not make the Offer;
- (b) has not authorised or caused the issue of this Prospectus;
- (c) does not make, or purport to make, any statement in this Prospectus other than those referred to in this Section; and
- (d) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statement included in or omitted from this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section 10.5.

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

10.6 Expenses of the Offer

The total expenses of the Offer are estimated to be approximately \$30,000 and include ASIC fees, legal fees and costs of printing and distribution.

10.7 Litigation

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

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

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

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

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

10.9 Dividend Policy

The Company has not declared a dividend since its incorporation and, at the date of this Prospectus, does not intend to pay any dividends in the two year period following the date of this Prospectus. During this period the Board expects to incur significant expenditure on the exploration and development of the Company's projects and in identifying, evaluating and, if warranted, acquiring other resource projects or assets in Australia and/or overseas that have the potential to add Shareholder value. The extent, timing and payment of dividends by the Company in the future will be at the discretion of the Directors and will depend on a number of factors including future earnings, the operating results and financial condition of the Company, future capital requirements, general business and other factors considered relevant by the Directors. No assurances in relation to the payment of dividends, or the franking credits attached to such dividends, can be given.

11. GLOSSARY

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

\$ means an Australian dollar.

Accepting Remaining Vendor means a Remaining Vendor that accepts the Offer and in doing so agrees to sell their VSPC Shares to the Company.

Acquisition means the acquisition of VSPC Shares by the Company pursuant to the Acquisition Agreement and pursuant to the Offer.

Acquisition Agreement means the agreement the details of which are set out in Section 9.1.

Agreement Vendor means a Vendor which is a party to the Acquisition Agreement and is named as a vendor under the Acquisition Agreement.

Application Form means the Lithium Australia NL Acceptance and Transfer Form so titled attached to and forming part of this Prospectus.

ASIC means the Australian Securities & Investments Commission.

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

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

Board means the board of Directors.

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

Class A Performance Rights means performance rights in the Company issued on the terms and conditions set out in in the section titled 'Class A Performance Rights' in Section 6.4.

Class B Performance Rights means performance rights in the Company issued on the terms and conditions set out in the section titled 'Class B Performance Rights' in Section 6.4.

Class C Performance Rights means performance rights in the Company issued on the terms and conditions set out in the section titled 'Class C Performance Rights' in Section 6.4.

Class D Performance Rights means performance rights in the Company issued on the terms and conditions set out in the section titled 'Class D Performance Rights' in Section 6.4.

Class E Performance Rights means performance rights in the Company issued on the terms and conditions set out in the section titled 'Class E Performance Rights' in Section 6.4.

Closing Date is defined in Section 5.1.

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

Completion means completion of the Acquisition.

Constitution means the constitution of the Company.

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

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

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

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

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

Maximum Subscription is defined in Section 5.4.

Minimum Subscription is defined in Section 5.5.

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

New Securities means the New Shares and New Partly Paid Shares or any one of them, as the context requires.

New Shares means the Shares issued pursuant to this Prospectus.

Offer means the offer of New Securities the subject of this Prospectus, made for the purposes of the Acquisition and which is only capable of acceptance by the Vendors.

Opening Date is defined in Section 5.1.

Partly Paid Share means a partly paid share in the capital of the Company and, as the context requires, includes the New Partly Paid Shares.

Performance Rights means Class A Performance Rights, Class B Performance Rights, Class C Performance Rights, Class D Performance Rights and Class E Performance Rights.

Prospectus means this prospectus dated 26 February, 2018.

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

Remaining Vendor means a Vendor other than an Agreement Vendor.

Section means a section of this Prospectus.

Securities means Shares and Partly Paid Shares, or any one of them, as the context requires, and for the sake of clarity and as the context requires, includes all the New Securities, and **Security** has a corresponding meaning.

Share means a fully paid ordinary share in the capital of the Company and, as the context requires, includes the New Shares.

Share Registry means Advanced Share Registry Ltd.

Shareholder means a holder of a Share.

Vendor Warrantors means those Agreement Vendors which have provided warranties on behalf of the Agreement Vendors under the Acquisition Agreement.

Vendor means any person who owns a VSPC Share at the date of this Offer.

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

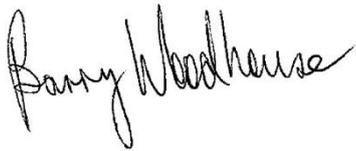
WST means Western Standard Time as observed in Perth, Western Australia.

12. DIRECTORS' STATEMENT AND AUTHORISATION

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

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

Dated 26 February 2018

A handwritten signature in black ink that reads "Barry Woodhouse". The signature is written in a cursive style with a large initial 'B'.

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

LITHIUM AUSTRALIA NL ACCEPTANCE AND TRANSFER FORM

This is an importance document and requires your immediate attention. If you are in doubt about how to deal with it, please consult your financial or other professional advisor.

Use this form to accept the Offer by Lithium Australia NL for your Very Small Particle Company Limited Shares.

Offer Consideration

The consideration applicable under the terms of Offer is:

- 5.8 New Shares for every 1 VSPC Share held; and
- 2.9 New Partly Paid Shares for every 1 VSPC Share held; and

VSPC Shareholder Details	
Your shareholding in VSPC	(insert)
New Shares to be issued to you	(insert)
New Partly Paid Shares to be issued to you	(insert)

To be completed by VSPC Shareholder

You will be deemed to have accepted the Offer in respect of all of your VSPC Shares if you sign and return the Lithium Australia NL Acceptance and Transfer Form.

Completed Lithium Australia NL Acceptance and Transfer Forms, and accompanying title documents to your VSPC Shares and an original executed voluntary escrow deed, in the form provided by the Company, in respect of the New Shares applied for, must be mailed or delivered to:

Lithium Australia NL
Level 1, 675 Murray Street
West Perth WA 6005

OR

Advanced Share Registry Services
110 Stirling Highway
Nedlands WA 6009

- acknowledge and agree that Lithium Australia NL will be entitled to receive all dividends and distributions declared, paid or made by VSPC on or after the date of Completion under the Acquisition Agreement in respect of the VSPC Shares held by me/us referred to in this Lithium Australia NL Acceptance and Transfer Form;
- acknowledge that the Offer is conditional on persons who hold in aggregate at least 75% of the VSPC Shares accepting the Offer; and
- acknowledge that the Offer is conditional on Lithium Australia NL having obtained all the required approvals from its shareholders to issue the New Shares and the New Partly Paid Shares pursuant to this Lithium Australia NL Acceptance and Transfer Form and those approvals remaining current and valid at the time the New Shares and the New Partly Paid Shares pursuant to this Lithium Australia NL Acceptance and Transfer Form are issued to you.

Sign here – this section must be signed before we can process this Lithium Australia NL Acceptance and Transfer Form.

Individual or Securityholder 1	Individual or Securityholder 2	Individual or Securityholder 3
Sole Director and Sole Company Secretary	Director	Director/Company Secretary

The directors reserve the right to make amendments to the Lithium Australia NL Acceptance and Transfer Form where appropriate.