
LITHIUM AUSTRALIA NL

ACN 126 129 413

NOTICE OF GENERAL MEETING

TIME: 9am (WST)

DATE: Monday, 24 February 2020

PLACE: Level 1,
675 Murray Street
WEST PERTH WA 6005

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

Should you wish to discuss the matters in this Notice of General Meeting please do not hesitate to contact the Company Secretary on (+61 8) 6145 0288.

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IMPORTANT INFORMATION

TIME AND PLACE OF MEETING

Notice is given that the General Meeting of the Shareholders convened by this Notice of Meeting will be held at 9am (WST) on **Monday, 24 February 2020** at:

Level 1
675 Murray Street
WEST PERTH WA 6005

YOUR VOTE IS IMPORTANT

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

ATTENDANCE AND VOTING ELIGIBILITY

For the purposes of regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) the Directors have determined that the Shares quoted on the ASX at 5.00pm WST on 22 February 2020 will be taken, for the purposes of this General Meeting, to be held by the persons who held them at that time. Accordingly those persons are entitled to attend and vote (if not excluded) at the Meeting.

VOTING IN PERSON

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

VOTING BY PROXY

To vote by proxy, please complete and sign the Proxy Form enclosed (and the power of attorney or other authority (if any) under which it is signed (or a certified copy)) and either:

- (a) deliver the Proxy Form to the Company's share registry:
Lithium Australia NL
c/- Advanced Share Registry Services
110 Stirling Highway, Nedlands WA 6009
- (b) send the Proxy Form by post to the Company's share registry:
Lithium Australia NL
c/- Advanced Share Registry Services
PO Box 1156, Nedlands WA 6909
- (c) send the Proxy Form by facsimile to the Company's share registry facsimile number +61 8 6370 4203; or
- (d) lodge online at www.advancedshare.com.au instructions as follows:

Select 'Investor Login' and in the "Single Holding" section enter Lithium Australia NL or the ASX code LIT in the Issuer name field, your Security Reference Number (SRN) or Holder Identification Number (HIN) (which is shown on the proxy form), postcode and security

code which is shown on the screen and click 'Login'. Select the 'Voting' tab and then follow the prompts. You will be taken to have signed your Proxy Form if you lodge it in accordance with the instructions given on the website.

so that it is received not later than 9am (WST) on 22 February 2020. Proxy Forms received later than this time will be invalid.

NOTICE OF GENERAL MEETING

Notice is given that the General Meeting of Shareholders of Lithium Australia NL will be held at Level 1, 675 Murray Street, West Perth, Western Australia 6005 at **9am WST** on **Monday 24 February 2020**.

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

Terms and abbreviations used in this Notice of Meeting and Explanatory Memorandum (including the Annexures) are defined in the Glossary unless defined elsewhere in the Explanatory Memorandum.

AGENDA

RESOLUTION 1 – RATIFICATION OF ISSUE OF SHARES TO LIND

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

“That, for the purpose of ASX Listing Rule 7.4 and for all other purposes, Shareholders approve and ratify the prior issue of 15,000,000 Shares to Lind Global Macro Fund, LP on the terms and conditions and in the manner set out in the Explanatory Memorandum.”

Voting Exclusion Statement:

The Company will disregard any votes cast in favour of this Resolution by or on behalf of Lind Global Macro Fund, LP or any associate of Lind Global Macro Fund, LP. However, this does not apply to a vote cast in favour of the Resolution by:

- (a) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or
- (b) the Chair as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
 - (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

RESOLUTION 2 – RATIFICATION OF ISSUE TO LIND OF CONVERTIBLE NOTE, AND ISSUE OF EQUITY SECURITIES UP TO THE MAXIMUM NUMBER UNDER THE CONVERTIBLE NOTE

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

“That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of the Convertible Note to Lind Global Macro Fund, LP under the Agreement, and the issue of the Maximum Number of 71,440,776 equity securities under the Convertible Note, on the terms and conditions and in the manner set out in the Explanatory Memorandum.”

Voting Exclusion Statement:

The Company will disregard any votes cast in favour of this Resolution by or on behalf of Lind Global Macro Fund, LP or any associate of Lind Global Macro Fund, LP. However, this does not apply to a vote cast in favour of the Resolution by:

- (a) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in

- accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or
- (b) the Chair as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
 - (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
 - (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

RESOLUTION 3 – APPROVAL FOR THE ISSUE OF OPTIONS TO LIND

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

“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue 33,333,333 Options to Lind Global Macro Fund, LP and/or its nominee(s) pursuant to the Agreement on the terms and conditions and in the manner set out in the Explanatory Memorandum.”

Voting Exclusion Statement:

The Company will disregard any votes cast in favour of this Resolution by or on behalf of Lind Global Macro Fund, LP and/or its nominees, or any associate of Lind Global Macro Fund, LP and/or its nominees. However, this does not apply to a vote cast in favour of the Resolution by:

- (a) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or
- (b) the Chair as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
 - (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

RESOLUTION 4 – APPROVAL FOR THE ISSUE OF THE REPLACEMENT CONVERTIBLE NOTE TO LIND

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

“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue the Replacement Convertible Note to Lind Global Macro Fund, LP, and the issue of Shares under the Replacement Convertible Note, pursuant to the Agreement on the terms and conditions and in the manner set out in the Explanatory Memorandum.”

Voting Exclusion Statement:

The Company will disregard any votes cast in favour of this Resolution by or on behalf of Lind Global Macro Fund, LP and/or its nominees, or any associate of Lind Global Macro Fund, LP and/or its nominees. However, this does not apply to a vote cast in favour of the Resolution by:

- (a) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or
- (b) the Chair as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair

- decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
- (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
 - (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

RESOLUTION 5 – VARIATION OF CLASS RIGHTS – PARTLY PAID SHARES

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

"That, for the purposes of section 246B of the Corporations Act, clause 7 of the Constitution and for all other purposes, approval is given for the Company to vary the rights attaching to a class of shares, being Partly Paid Shares, on the terms and conditions set out in the Explanatory Memorandum."

RESOLUTION 6 – APPROVAL FOR ISSUE OF SHARES

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

"That for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Directors to issue up to 50,000,000 Shares to the persons, on the terms and conditions and in the manner set out in the Explanatory Memorandum."

Voting Exclusion:

The Company will disregard any votes cast in favour of this Resolution by or on behalf of any person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the Company), or any associate of such a person. However, this does not apply to a vote cast in favour of the Resolution by:

- (a) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or
- (b) the Chair as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
 - (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

RESOLUTION 7 – RATIFICATION OF PRIOR ISSUE OF LISTED OPTIONS

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

"That, for the purpose of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify and approve the issue of 9,000,000 Listed Options to the persons, on the terms and conditions and in the manner set out in the Explanatory Memorandum."

Voting Exclusion:

The Company will disregard any votes cast in favour of this Resolution by or on behalf of a person who participated in the issue, or any associate of such a person. However, this does not apply to

a vote cast in favour of the Resolution by:

- (a) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or
- (b) the Chair as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
 - (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

RESOLUTION 8 – RATIFICATION OF PRIOR ISSUE OF SHARES

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

"That, for the purpose of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify and approve the issue of 7,500,000 Shares to Acuity Capital Investment Management Pty Ltd on the terms and conditions and in the manner set out in the Explanatory Memorandum."

Voting Exclusion:

The Company will disregard any votes cast in favour of this Resolution by or on behalf of Acuity Capital Investment Management Pty Ltd, or any associate of Acuity Capital Investment Management Pty Ltd. However, this does not apply to a vote cast in favour of the Resolution by:

- (a) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or
- (b) the Chair as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
 - (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

OTHER BUSINESS

To deal with any business that may be lawfully brought forward.

PROXIES

A Shareholder entitled to attend and vote at the Meeting has a right to appoint a proxy to attend and vote instead of the Shareholder. A proxy need not be a Shareholder and can be either an individual or a body corporate. If a Shareholder appoints a body corporate as a proxy that body corporate will need to ensure that it:

- a) appoints an individual as its corporate representative to exercise its powers at the Meeting, in accordance with section 250D of the Corporations Act; and
- b) provides the Company with satisfactory evidence of the appointment of its corporate representative prior to commencement of the Meeting.

If such evidence is not received before the Meeting, then the body corporate (through its representative) will not be permitted to act as proxy.

A Shareholder who is entitled to cast two (2) or more votes may appoint two (2) proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If no proportion or number is specified, each proxy may exercise half of the Shareholder's votes. Fractions of votes will be disregarded.

In order to vote on behalf of a company that is a Shareholder, a valid Power of Attorney in the name of the attendee, must be either lodged with the Company prior to the Meeting, or be presented at the Meeting before registering on the attendance register for the Meeting.

If the proxy form is signed under a power of attorney on behalf of a Shareholder, then the attorney must make sure that either the original power of attorney or a certified copy is sent with the proxy form, unless the power of attorney has already been provided to the Share Registry.

If a representative of a corporate Shareholder or a corporate proxy will be attending the Meeting, the representative should bring to the Meeting adequate evidence of their appointment, unless this has previously been provided to the Share Registry.

An appointment of corporate representative form may be obtained from the Share Registry by calling 1300 113 258 (outside Australia (+61 8) 9389 8033) or online at www.advancedshare.com.au
An instrument appointing a proxy:

- a) shall be in writing under the hand of the appointor or of his attorney, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney;
- b) may specify the manner in which the proxy is to vote in respect of a particular Resolution and, where an instrument of proxy so provides, the proxy is not entitled to vote on the Resolution except as specified in the instrument;
- c) shall be deemed to confer authority to demand or join in demanding a poll;
- d) shall be in such form as the Directors determine and which complies with section 250A of the Corporations Act; and
- e) which appoints the Chair as proxy but does not specify the way in which the proxy is to vote on a particular Resolution will be recorded as voting in favour of the Resolutions (subject to the other provisions of these notes on proxies and any required voting exclusions including those in the Notice) as this is the Chair's voting intention.

Corporations

A corporation may elect to appoint a representative in accordance with the Corporations Act in which case the Company will require written proof of the representative's appointment, which must be lodged with, or presented to, the Company before the commencement of the Meeting.

Proxies given by corporate Shareholders must be executed in accordance with their constitutions,

or signed by a duly authorised attorney. A proxy may decide whether to vote on any motion, except where the proxy is required by law or the Constitution to vote, or abstain from voting, in their capacity as proxy.

The enclosed Proxy Form provides further details on appointing proxies and lodging Proxy Forms.

Undirected and Directed Proxies

The Company encourages all shareholders who submit proxies to direct their proxy how to vote on each resolution.

The Chair intends to vote all undirected proxies in favour of Resolutions 1 to 8 inclusive.

DATED: 20 JANUARY 2020

BY ORDER OF THE BOARD

**BARRY WOODHOUSE
COMPANY SECRETARY**

EXPLANATORY MEMORANDUM

This Explanatory Memorandum has been prepared for the information of shareholders of Lithium Australia NL in connection with the business specified to be conducted in the Notice of General Meeting at the General Meeting of Shareholders to be held at Level 1, 675 Murray Street, West Perth, Western Australia 6005 at **9am WST on Monday 24 February 2020**.

The purpose of this Explanatory Memorandum is to provide information that the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions.

The Notice of Meeting, Explanatory Memorandum and Proxy Form are all important documents. The Directors recommend that Shareholders read them carefully in their entirety before making a decision on how to vote at the General Meeting.

A Glossary of terms frequently used in this Notice of Meeting and Explanatory Memorandum can be found at the end of this Explanatory Memorandum.

1. BACKGROUND INFORMATION IN RESPECT OF RESOLUTIONS 1 TO 4 (INCLUSIVE)

1.1 Terms of the Agreement

As announced on 16 December 2019 the Company has entered into an agreement in relation to a share purchase and convertible security agreement with Lind Global Macro Fund, LP (**Noteholder**) under which the Noteholder has agreed to subscribe for up to \$3,400,000 worth of fully paid ordinary shares in the capital of the Company (**Shares**) (**Share Purchase**) and for a secured convertible note having a face value of \$3,300,000 and with a 24 month term on the terms and conditions set out in the Agreement (**Convertible Note Agreement**). The Agreement comprises two separate funding streams being (1) Convertible Note provisions and (2) Share Purchase provisions.

No later than five (5) business days after the date of execution of the Agreement (**First Closing**) the Noteholder advanced to the Company, in immediately available funds, subject to any set-offs under the Agreement, the amount of \$2,900,000 (before costs associated with the issue of the Convertible Note), in consideration of which the Company issued to the Noteholder the Convertible Note together with 15,000,000 Shares to the Noteholder as consideration for the Noteholder entering into the Agreement (**Collateral Shares**). The Convertible Note is secured by a general security over all of the assets of the Company, and of nominated subsidiaries of the Company. Notwithstanding any other provision of the Agreement, the maximum aggregate number of Shares that may be issued under the Convertible Note issued at First Closing (but excluding any Shares issued upon conversion of the Replacement Convertible Note, as that term is defined below) under the Agreement without the Company obtaining Shareholder approval to the proposed issue is 71,440,776 equity securities (**Maximum Number**). This number was the Company's capacity under Listing Rule 7.1 at the time it executed the Agreement.

The issue of Collateral Shares reduced the remaining available capacity under the maximum conversion limit (i.e. only 56,440,776 equity securities can be issued under the Convertible Note issued at First Closing without Shareholder approval). The Company paid a commitment fee of \$87,000 to the Noteholder, which was deducted from the funds made available to the Company at the First Closing.

The Company must, within 90 days of the First Closing, convene and hold a meeting of Shareholder's seeking approval for the issue of:

1. 33,333,333 Options to subscribe for Shares to the Noteholder exercisable at \$0.055 on or before the date that is 36 months from the date of their issue, on the terms and conditions set out in Annexure C (**Lind Options**); and
2. a replacement convertible note to the Noteholder, on the basis that the replacement convertible note will be on the same terms as the Convertible Note issued at the First Closing, and will have the same outstanding Face Value, but the Maximum Number limit will not apply to it (**Replacement Convertible Note**).

An Event of Default will occur if the Company does not, within 90 days of the First Closing, obtain either of these approvals and issue the Options and the Replacement Convertible Note.

Subject to the receipt of Shareholder approval, the Replacement Convertible Note will automatically issue to the Noteholder in replacement of the outstanding Convertible Note. The outstanding Convertible Note issued will be redeemed by the Company in full and all of the obligations of the Company in connection with the Convertible Note are discharged and satisfied in full including that there is no Amount Outstanding in respect of the Convertible Note, and the Replacement Convertible Note will be outstanding. The maximum securities issuance/conversion limit will not apply to the Replacement Convertible Note as Shareholder approval will have been obtained prior to its issue.

Annexure A contains a summary of the rights, obligations, privileges and restrictions attaching to the Convertible Note (and, if issued, the Replacement Convertible Note which has identical terms except that the Maximum Number will not apply to it).

Capitalised terms referred to below are defined in the Glossary, **Annexure A** or in the text below.

Under the Share Purchase provisions of the Agreement, the Noteholder is also required to make various prepayments during the Term not exceeding an amount of \$3,400,000 to the Company, to either be repaid by the Company or where this amount is not repaid, the Company is to issue Shares to the Noteholder (such number as is determined under the Agreement and subject to satisfaction or waiver of a number of conditions) (**Tranche Shares**).

The Directors consider that the Agreement (including the Convertible Note) is in the best interests of Shareholders as it provides funding for:

- (a) growth of the Company's Soluna Australia battery business;
- (b) commercialisation of the Company's cathode business, owned by its subsidiary VSPC Ltd;
- (c) growth of the Company's battery recycling interests, owned by Envirostream Australia Pty Ltd;
- (d) development of its lithium processing technologies; and
- (e) costs of the funding, as well as for general working capital.

CONVERTIBLE NOTE

The Convertible Note has been issued to the extent that equity securities up to the Maximum Number can be issued under it. The Maximum Number is 71,440,776 Shares, which was the Company's existing Listing Rule 7.1 capacity at the time of issue of the Convertible Note.

Shareholder approval is being sought under Resolution 2 to ratify the issue of the Convertible Note.

Shareholder approval is being sought under Resolution 4 to issue the Replacement Convertible Note under which securities in excess of the Maximum Number can be issued under it and the issue of which will automatically cancel and replace the Convertible Note.

The Company has received from Lind the Convertible Note amount of \$2,900,000 (before costs associated with the issue of the Convertible Note).

The Company and the Noteholder have agreed that during the term of the Convertible Note (and if issued the Replacement Convertible Note) the Noteholder and its associates do not have voting power in more than 9.99% of the Company. If an issue of Shares to the Noteholder would cause this result either the Noteholder or the Company may by written notice to the other require the Company to pay a Cash Substitution Amount to the Noteholder (see **Annexure A**).

There are other restrictions on the Noteholder's ability to convert the Convertible Note into Shares including prior to 30 days after the Execution Date and others summarised in **Annexure A**.

If the Company or any of its subsidiaries arranges to obtain any debt funding or other financial accommodation (including without limitation by the issue of a convertible note, convertible security, preferred stock or similar instrument other than under the Agreement), the Company must:

- (a) notify the Noteholder about such arrangements (in reasonable detail);
- (b) use any proceeds raised through such debt funding or financial accommodation (**Debt Proceeds**) to repay the aggregate Amount Outstanding (and any money owing by the Company to the Noteholder under the Agreement whether under an indemnity or otherwise, if any) of the Convertible Note in full, unless otherwise notified in writing by the Noteholder to the Company that it is not required to make such repayment; and
- (c) make the payment of the Amount Outstanding and any money owing by the Company to the Noteholder under the Agreement promptly upon receipt of the Debt Proceeds and no later than two (2) Business Days after receipt of the Debt Proceeds.

TERM

The term of the Convertible Note is the period commencing from the First Closing Date and ending on the date that is twenty four (24) months from the First Closing Date.

SECURITY

The Company grants first ranking security in favour of the Noteholder over the Company's assets but excluding any security over the mining tenements held by the Company or any of its subsidiaries.

OPTIONS

The Company must obtain Shareholder approval under Listing Rule 7.1 to grant to the Noteholder the 33,333,333 Lind Options by no later than 90 days after the Execution Date. The Shareholder approval required to be sought for this Option grant is the subject of Resolution 3.

COLLATERAL SHARES and COLLATERALISATION CAPITALISATION ELECTION

Prior to the First Closing, the Company was required to issue to the Noteholder or its nominee 15,000,000 Shares (**Collateral Shares**). The number of Collateral Shares issued during the Term may be increased upon the written agreement of the Noteholder and the Company. At various times when Shares are required to be issued under the Convertible Note, the Noteholder has the option to require a Collateral Share Offset reduction in the number of Collateral Shares in place of the issue of new Shares. The Noteholder also has the option to purchase the Collateral Shares. A **Collateral Share Offset** is the offset of a reduction in the number of Collateral Shares issued under a Conversion Notice.

ADJUSTMENTS

Each time a Security Structure Event occurs, the Conversion Price, the Floor Price, the Conversion Price, the Collateral Price, Purchase Price, the Base Price and the Collateral Shareholding Number shall be reduced or, as the case may be, increased, in the same proportion as the issued capital of the Company is, as the case may be, consolidated, subdivided or cancelled subject to compliance with the Listing Rules. **Security Structure Event** means any consolidation, subdivision or pro-rata cancellation of the Company's issued capital, or any payment of a dividend in ordinary shares of the Company or distribution of ordinary shares of the Company to holders of its outstanding ordinary shares, which for the avoidance of doubt does not include a rights offering or a bonus issue.

CONVERSION

- (i) Subject to the restrictions contained in the Agreement concerning the Company's placement capacity and the Maximum Number, at any time during the Term after the Lock-Up Period, and on more than one occasion, the Noteholder may provide the Company no

less than two (2) Business Days' prior notice (**Conversion Notice**) requiring the Company to effect a conversion of the Convertible Note (**Conversion**), on a date specified by the Noteholder in its sole discretion (each a **Conversion Date**) (each date of such notice, a **Conversion Notice Date**), the Noteholder may convert the Convertible Note into Shares at a rate equal to the lower of:

(A) the price per Share equal to 92.5% of the average of three (3) daily VWAP on three (3) consecutive trading days chosen by the Noteholder from among the twenty (20) consecutive trading days immediately prior to the relevant Conversion Notice Date or date of the buy-back conversion notice (provided that if the resultant average VWAP number is greater than \$0.01 and contains five or more decimal places, such number will be rounded down to the next lowest number containing four decimal places and where the resultant average VWAP number is less than or equal to \$0.01 and contains four or more decimal places, such number will be rounded down to the next lowest number containing three decimal places); and

(B) \$0.055,

(**Conversion Price**).

(ii) The Conversion Notice must specify:

(A) the Conversion amount, which must be at least the lesser of \$50,000 and the Amount Outstanding (**Conversion Amount**); and

(B) whether the Conversion Amount will be constituted in whole or in part by a reduction in the number of Collateral Shares (**Conversion Collateral Capitalisation Election**); and

(C) the Conversion Price applicable to the Conversion due to be effected on the Conversion Date, and setting out the manner in which such Conversion Price was calculated by the Noteholder.

(iii) The number of Conversion Shares that the Company must issue in a Conversion shall be determined by dividing the Australian dollar amount of the relevant Conversion Amount by the Conversion Price, provided that if the resultant number contains a fraction, such number shall be rounded up to the next highest whole number

(iv) The Noteholder will be limited to converting the following amounts during the Term:

(A) Month 1: Lock-Up (no conversions).

(B) Months 2 to 12: Up to \$150,000 per month (provided that if the Company terminates the operation of the share purchase provisions under the Agreement during that time, this amount will be increased to \$300,000).

(C) Months 13 to 24: Up to \$300,000 per month.

(v) In the event that the Company's market capitalisation exceeds \$35,000,000 or reduces below \$10,000,000, or if there is an Event of Default, the above conversion limits will not apply. The upper market capitalisation threshold has been exceeded on more than one occasion since the date of the Agreement.

(vi) If the Noteholder converts any portion of the Convertible Note at a price below the Floor Price of \$0.03, the Company may at its election (**Conversion Floor Payment Notice**) within three business days of receiving the relevant Conversion Notice elect to pay that conversion in cash instead of Shares plus a 2.5% premium.

(vii) Where the Company has given the Noteholder a Conversion Floor Payment Notice, the Noteholder may elect, by written notice to the Company at any time prior to the applicable Conversion Date to receive Conversion Shares that are the subject of the Conversion Floor Payment Notice, at a Conversion Price equal to the Floor Price; and/ or to exercise a Conversion Collateral Capitalisation Election in respect of Conversion Shares the subject of the Conversion Floor Payment Notice, at a Conversion Price equal to the Floor Price in lieu of

a payment in immediately available funds.

BUY BACK RIGHTS and BUY BACK CONVERSION

In its sole discretion, the Company may buy-back the outstanding balance of the Convertible Note at any time. In the event of the Company electing to exercise its right to buy-back the outstanding balance, it must issue the Noteholder with a buy-back notice for the Convertible Note (**Buy-Back Notice**).

A Buy-Back Notice must exclude that part of the amount outstanding in respect of which, as of the time the Company gives the Noteholder a Buy-Back Notice, the Noteholder has already given a Conversion Notice to the Company (the **Excluded Converted Amount**).

Subject to the Maximum Number (prior to the issue of the Replacement Convertible Note), within five (5) business days of receiving a Buy-Back Notice, the Noteholder may give a Conversion Notice to the Company for up to 30% of the Face Value of the Convertible Note (**Buy-Back Conversion Notice**) at the time of issue, (**Buy-Back Conversion Amount**) at the Conversion Price.

Upon issuing a Buy-Back Notice to the Noteholder, the Company irrevocably and unconditionally agrees to, within five (5) Business Days of receiving the Buy-Back Conversion Notice, or if no Buy-Back Conversion Notice is received then within ten (10) Business Days of issuing the Buy-Back Notice:

- (i) buy-back the relevant Convertible Note (excluding the Buy-Back Conversion Amount and any Excluded Converted Amount), for the Buy-Back Amount Outstanding; and
- (ii) pay the Buy-Back Amount Outstanding to the Noteholder in immediately available funds.

If the Noteholder has given the Company a Conversion Notice and the Company is unable to issue all of the required Conversion Shares the subject of the Conversion Notice to the Noteholder or to issue all of the required Conversion Shares the subject of the Conversion Notice as Freely Tradable Shares to the Noteholder, then without limiting any of the Noteholder's other rights under the Agreement the Noteholder may by written notice to the Company (**Cash Conversion Notice**) require the Company to pay a cash amount to the Noteholder equal to Y multiplied by \$A, where:

- (i) Y = the number of new Shares which would have been Issued under the relevant Conversion Notice (subject to any Collateral Share offset at the election of the Noteholder); and
- (ii) \$A = the VWAP per Share (in Australian dollars) on the date of issuance of the relevant Conversion Notice (as applicable),

(**Cash Conversion Amount**); and upon the Company receiving a Cash Conversion Notice from the Noteholder, the Company must within one (1) Business Day pay the Noteholder in immediately available funds the Cash Conversion Amount.

In the event the Company issues Shares to the Noteholder pursuant to the buy-back provisions of the Agreement, such Shares must be issued using the Company's available placement capacity under ASX Listing Rule 7.1 at that time or with prior Shareholder approval.

OTHER TRANSACTIONS

During the Term the Company is prohibited by the terms of the Agreement from entering into a financing arrangement similar to the arrangement it has entered into with Lind pursuant to the Agreement.

The Agreement sets out certain transactions which the Company is permitted to undertake during the Term without needing to seek Lind's approval, in each case subject to there being no Event of Default, to the relevant transactions occurring at fair market value and to the transaction in question being approved by the Board.

1.2 Effect of the issue on the Company

The principal effect of the Convertible Note subscribed for by Lind and issued by the Company under the Agreement on the Company will be to:

- (a) Increase the Company's cash reserves by the aggregate of the funding amount of the Convertible Note (\$2,900,000) (before costs associated with the issue of the Convertible Note), assuming full draw down of the facility made available under the Agreement.
- (b) Give rise to the Company having a liability for the amount of the face value of \$3,300,000.
- (c) If the Convertible Note is converted or repaid, either wholly or in part to Shares, increase the number of Shares on issue as a consequence of the issue of Shares on such conversion.
- (d) Increase the number of Options on issue as a consequence of the requirement to issue Lind Options with the Convertible Note.

Potential effect on capital structure

- (a) As at the date of this Notice, the total number of issued Shares is 561,483,256 together with 171,916,918 Partly Paid Shares (LITCE).
- (b) The capital structure of the Company will be affected by the conversion of the Convertible Note by the Noteholder, and/or the exercise of the Lind Options by the Noteholder, which will result in additional Shares being issued.
- (c) If the Noteholder converts the entire Face Value, then based on a conversion price of \$0.0629 per Share in respect of the Convertible Note in accordance with the Agreement (being 92.5% of the closing Share price on the date prior to the date of this Notice), and assuming that no Buy Back has occurred, that the full face value of \$3,300,000 is converted into Shares (**Convertible Note Assumptions**), 60,000,000 Shares would be issued. The actual effect on the Share capital of the Company will depend on what percentage of the Convertible Note is actually converted and/or repaid and the price at which the conversion and/or repayment occurs.
- (d) 33,333,333 Lind Options will be issued, subject to Shareholder approval (sought under Resolution 3) in relation to the Convertible Note.

The effect on the issued Share capital of the Company on conversion of the Convertible Note and the issue and exercise of all Lind Options is set out below, based on the Convertible Note Assumptions and assuming no other Shares are issued.

The actual effect on the Share capital of the Company will depend on what percentage of the Convertible Note is actually converted, the price at which the conversion occurs and the VWAP at the time of issue of the Lind Options.

The table below also sets out the effect on the Company's issued capital assuming the facility made available under the Agreement is fully drawn down in various pricing scenarios based on the closing price for Shares traded on ASX on the date preceding this Notice.

Shares	Based on a Share price equal to 50% of the Share price as at the date of this Notice (\$0.0314)	Based on the Share price as at the date of this Notice (\$0.068)¹	Based on a Share price equal to 200% of the Share price as at the date of this Notice (\$0.1258)¹
Shares on issue at the date of this Notice	561,483,256	561,483,256	561,483,256
Shares issued upon conversion of the entire Convertible Note	105,095,541	60,000,000	60,000,000
Shares issued assuming the exercise of all Lind Options issued under the Agreement	33,333,333	33,333,333	33,333,333
Total Shares on issue following conversion of entire Convertible Note and exercise of all Lind Options issued under Agreement	699,912,130	654,816,589	654,816,589

Notes:

- 1 In this circumstance the Conversion Price would be \$0.055 having regard to the definition of Conversion Price.

Options on issue prior to entry into Agreement	55,990,355
Lind Options issued under Agreement	33,333,333
Total Options on issue following conversion of the entire Convertible Note	89,323,688

Notes:

- The Company and the Noteholder will ensure that during the Term the Noteholder and its associates do not have voting power of more than 9.99% of the Company. Assuming this is the case, based on the Shares on issue at the date of this Notice, the maximum number of Shares the Noteholder can have a relevant interest in is 55,621,506 Shares.
- Details of the exercise prices and expiry dates of the Options are set out in the Company's Appendix 3B lodged with ASX on 19 December 2019.

2. RESOLUTION 1 – RATIFICATION OF ISSUE OF SHARES TO LIND

2.1 Background

Resolution 1 seeks Shareholder ratification for the issue of 15,000,000 Shares, being the Collateral Shares, to Lind pursuant to the Agreement in accordance with ASX Listing Rule 7.4. The key terms of the Agreement and the Company's reasons for entering into the Agreement are set out in Section 1.1 of this Explanatory Memorandum. The Shares are used as collateral for any financing undertaken by the Company under the terms of the Agreement.

2.2 ASX Listing Rule 7.4

ASX Listing Rule 7.1 prohibits a listed company from issuing, or agreeing to issue, equity securities (which includes shares) that exceed 15% of the total number of ordinary securities on issue in any 12 month period, unless approval is obtained from the holders of the company's ordinary securities.

ASX Listing Rule 7.4 provides that the approval of holders of the company's ordinary shares may be obtained after the issue of equity securities. The effect of such ratification is to restore the company's discretionary power to issue further shares up to 15% of the number of ordinary shares on issue at the beginning of the relevant 12 month period without obtaining shareholder approval.

If Shareholders approve Resolution 1 the issue of the 15,000,000 Shares will be excluded from the calculations of the Company's 15% limit under ASX Listing Rule 7.1.

2.3 ASX Listing Rule disclosure requirements

The following information is provided in accordance with ASX Listing Rule 7.5:

(a) *Number of securities issued*

15,000,000 Shares

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

Nil

(c) *Terms of the securities*

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

(d) *The name of the persons to whom the Company issued the securities or the basis on which those persons were determined*

Lind, which is not a related party of the Company.

(e) *The date on which the securities were issued*

The Shares were issued on 17 December 2019.

(f) *Use (or intended use) of the funds raised*

The Shares were issued as part of the terms of the Agreement. No funds were raised from the issue of the Shares.

2.4 Directors' Recommendation

The Board recommends Shareholders vote in favour of Resolution 1 as it allows the Company greater flexibility to issue further Securities representing up to 15% (under ASX Listing Rule 7.1) of the total number of Shares on issue in any 12 month period without Shareholder approval.

3. RESOLUTION 2 – RATIFICATION OF ISSUE TO LIND OF CONVERTIBLE NOTE AND ISSUE OF EQUITY SECURITIES UP TO THE MAXIMUM NUMBER UNDER THE CONVERTIBLE NOTE

3.1 Background

As set out in Section 1.1, the Company has entered into the Agreement with Lind under which it has agreed to issue the Convertible Note to Lind, on the terms and conditions summarised in Section 1.1 and **Annexure A**.

Resolution 2 seeks Shareholder ratification for the issue of the Convertible Note, up to the Maximum Number of equity securities (71,440,776) to Lind Global Macro Fund, LP under the Agreement, and the issue of the Maximum Number under the Convertible Note, to Lind in accordance with ASX Listing Rule 7.4. The Maximum Number was within the Company's capacity under ASX Listing Rule 7.1 as at the date the Company entered into the Agreement, and the Company was therefore able to issue this Convertible Note without seeking prior Shareholder approval. The key terms of the Agreement and the Company's reasons for entering into the Agreement are set out in the Company's announcement to the ASX dated 16 December 2019.

3.2 ASX Listing Rule 7.4

ASX Listing Rule 7.1 prohibits a listed company from issuing, or agreeing to issue, equity securities (which include shares) that exceed 15% of the total number of ordinary securities on issue in any 12 month period, unless approval is obtained from the holders of the company's ordinary securities. ASX Listing Rule 7.4 provides that the approval of holders of the company's ordinary shares may be obtained after the issue of equity securities. The effect of such ratification is to restore the company's discretionary power to issue further shares up to 15% of the number of ordinary shares on issue at the beginning of the relevant 12 month period without obtaining shareholder approval.

If Shareholders approve Resolution 2, the issue of the Convertible Note to the extent up to the Maximum Number of equity securities (71,440,776) and 71,440,776 issued under the Convertible Note will be excluded from the calculations of the Company's 15% limit under ASX Listing Rule 7.1.

3.3 ASX Listing Rule disclosure requirements

The following information is provided in accordance with ASX Listing Rule 7.5:

(a) *Number of securities issued*

One convertible security, being the Convertible Note, was issued to the extent of the Maximum Number.

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

The Convertible Note to the extent of the Maximum Number was issued for \$2,900,000 (before costs associated with the issue of the Convertible Note) with a face value of \$3,300,000 and otherwise on the terms and conditions set out in **Annexure A**.

(c) *Terms of the securities*

The terms and conditions of the Convertible Note are summarised in **Annexure A**.

(d) *The name of the persons to whom the Company issued the securities or the basis on which those persons were determined*

Lind, which is not a related party of the Company.

(g) *The date on which the securities were issued*

The Convertible Note was issued on 19 December 2019.

(e) *Use (or intended use) of the funds raised*

Funds raised from the issue of the Convertible Note will be used for:

- (i) growth of the Company's Soluna Australia battery business;
- (ii) commercialisation of the Company's cathode business, owned by its subsidiary VSPC Ltd;
- (iii) growth of the Company's battery recycling interests, owned by Envirostream Australia Pty Ltd;
- (iv) development of its lithium processing technologies; and
- (v) costs of the funding, as well as for general working capital.

3.4 Directors' Recommendation

The Board recommends Shareholders vote in favour of Resolution 2 as it allows the Company greater flexibility to issue further Securities representing up to 15% (under ASX Listing Rule 7.1) of the total number of Shares on issue in any 12 month period without Shareholder approval.

4. RESOLUTION 3 – APPROVAL FOR THE ISSUE OF THE LIND OPTIONS TO LIND

4.1 Background

As noted in Section 1.1, the Company has entered into the Agreement under which it has agreed to issue 33,333,333 Options to Lind, subject to Shareholder approval. That Shareholder approval is the subject of Resolution 3.

The Lind Options are exercisable at \$0.055 on or before the date that is 36 months from the date of their issue on the terms and conditions set out in **Annexure C**.

4.2 ASX Listing Rule 7.1

ASX Listing Rule 7.1 prohibits a listed company from issuing, or agreeing to issue, equity securities (which include shares) that exceed 15% of the total number of ordinary securities on issue in any 12 month period, unless approval is obtained from the holders of the company's ordinary securities.

The effect of Resolution 3 will be to allow the Company to issue the 33,333,333 Lind Options within the period of three (3) months after the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) without using the Company's 15% annual placement capacity under ASX Listing Rule 7.1.

4.3 ASX Listing Rule disclosure requirements

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

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

33,333,333 Lind Options.

- (b) *The date by which the entity will issue the securities*

The Lind Options will be issued no later than three (3) months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules).

- (c) *The issue price of the securities*

Nil. The Lind Options are to be issued to Lind as part of the consideration for the entry into the Agreement.

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

The Lind Options will be issued to Lind, which is not a related party of the Company.

- (e) *The terms of the securities*

The Lind Options are exercisable at \$0.055 on or before the date that is 36 months from the date of their issue on the terms and conditions set out in **Annexure C**.

- (f) *The purpose of the issue, including the use (or intended use) of the funds raised*

No funds will be raised by the issue of the Lind Options as the Lind Options are to be issued to Lind as part of the consideration for the entry into the Agreement. Funds raised upon exercise of the Lind Options will be used for growth opportunities and working capital purposes.

4.4 Directors' Recommendation

The Board recommends Shareholders vote in favour of Resolution 3 as it allows the Company greater flexibility to issue further Securities representing up to 15% (under ASX Listing Rule 7.1) of the

total number of Shares on issue in any 12 month period without Shareholder approval, and as an Event of Default will occur under the Agreement if the Company fails to issue the Lind Options.

5. RESOLUTION 4 – APPROVAL FOR THE ISSUE OF THE REPLACEMENT CONVERTIBLE NOTE TO LIND

5.1 Background

As noted in Section 1.1, the Company has entered into the Agreement under which it has agreed to issue the Replacement Convertible Note to Lind, subject to Shareholder approval and on the terms and conditions summarised in Section 1.1 and **Annexure A**. That Shareholder approval is the subject of Resolution 4.

The Company has issued the Convertible Note to Lind pursuant to the Agreement. Under the terms of the Agreement, the parties agreed that until such time as Shareholder approval was obtained, the Company would only be required to issue the Maximum Number of equity securities under the Convertible Note (as that term is defined below), which represented the Company's available capacity under ASX Listing Rule 7.1 as at the date of the Agreement.

The maximum number of equity securities that may be issued by the Company to the Noteholder under for the Convertible Note, without obtaining Company shareholder approval under Listing Rule 7.1, is 71,440,776 Shares (**Maximum Number**). The Maximum Number was within the Company's capacity under ASX Listing Rule 7.1 as at the date the Company entered into the Agreement, and the Company was therefore able to issue this Convertible Note without seeking prior Shareholder approval.

The Company must convene a Shareholders' meeting to be held no later than 90 days after the date of the execution of the Agreement (being the Meeting), at which the Company must ask Shareholders to consider and approve resolutions to fully refresh the Company's placement capacity; and to approve, under Listing Rule 7.1 and for all other purposes, the issue of the Lind Options and the issue of the Replacement Convertible Note.

Under Resolution 4 the Company is seeking Shareholder approval for the issue of the Replacement Convertible Note that may be issued pursuant to the Agreement. Subject to receipt of Shareholder approval, the Replacement Convertible Note will automatically issue to the Noteholder in replacement of the outstanding Convertible Note. The outstanding Convertible Note issued will be redeemed by the Company in full and all of the obligations of the Company in connection with the Convertible Note are discharged and satisfied in full including that there is no Amount Outstanding in respect of the Convertible Note, and the Replacement Convertible Note will be outstanding.

5.2 ASX Listing Rule 7.1

ASX Listing Rule 7.1 prohibits a listed company from issuing, or agreeing to issue, equity securities (which include shares) that exceed 15% of the total number of ordinary securities on issue in any 12 month period, unless approval is obtained from the holders of the company's ordinary securities.

The effect of Resolution 4 will be to allow the Company to issue the Replacement Convertible Note within the period of three (3) months after the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) without using the Company's 15% annual placement capacity under ASX Listing Rule 7.1.

5.3 ASX Listing Rule disclosure requirements

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

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

One convertible security, being the Replacement Convertible Note.

(b) *The date by which the entity will issue the securities*

The Replacement Convertible Note will be issued automatically on the date of the Meeting, subject to the receipt of Shareholder approval of Resolution 4 at the Meeting.

(c) *The issue price of the securities*

The Replacement Convertible Note will be issued for an amount of \$2,900,000 (before costs associated with the issue of the Convertible Note) with a face value of \$3,300,000 and otherwise on the terms and conditions summarised in **Annexure A**

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

The Replacement Convertible Note will be issued to Lind, which is not a related party of the Company.

(e) *The terms of the securities*

The terms and conditions of the Replacement Convertible Note are summarised in **Annexure A**.

(f) *Use (or intended use) of the funds raised*

Funds raised by the issue of the Replacement Convertible Note will be used for:

- (i) growth of the Company's Soluna Australia battery business;
- (ii) commercialisation of the Company's cathode business, owned by its subsidiary VSPC Ltd;
- (iii) growth of the Company's battery recycling interests, owned by Envirostream Australia Pty Ltd;
- (iv) development of its lithium processing technologies; and
- (v) costs of the funding, as well as for general working capital.

5.4 Directors' Recommendation

The Board recommends Shareholders vote in favour of Resolution 4 as it allows the Company greater flexibility to issue further Securities representing up to 15% (under ASX Listing Rule 7.1) of the total number of Shares on issue in any 12 month period without Shareholder approval, and as an Event of Default will occur under the Agreement if the Company fails to issue the Replacement Convertible Note.

6. RESOLUTION 5 – VARIATION OF CLASS RIGHTS – PARTLY PAID SHARES

6.1 General

The Company has on issue 171,916,918 Partly Paid Shares.

The Partly Paid Shares are paid up to \$0.001 and have an unpaid amount per Partly Paid Share of \$0.2499 (**Unpaid Amount**).

The purpose of varying the terms of the Partly Paid Shares is to align the uncalled amount to the current share price of the Company. This will facilitate the ability of the Company to make calls on the Partly Paid Shares. It would also allow the Company to issue additional Partly Paid Shares that can be issued on the same terms and conditions as the varied Partly Paid Shares as the ASX will only allow one series of Partly Paid Shares to be listed.

Pursuant to Resolution 6, the Company seeks the approval of Shareholders by way of a special resolution to vary the terms of the Partly Paid Shares to reduce the Unpaid Amount from \$0.2499 to \$0.0599 (**Variation**).

The full revised rights and liabilities of the Partly Paid Shares, as proposed by the Company, are set out in **Annexure E**.

Shareholders should note that no change will be made to the terms of the Partly Paid Shares unless the Partly Paid Shareholders also pass a resolution pursuant to section 246B of the Corporations Act and clause 2.3 of the Constitution with respect to the Variation. A meeting of Partly Paid Shareholders will be held before the Meeting at which such a resolution will be put before the Partly Paid Shareholders.

A timetable for the proposed Variation is set out below:

Shareholder meeting seeking approval for Variation	Day 0	24 February 2020
Last date for trading LITCE Partly Paid Shares on terms not subject to Variation	Day 1	25 February 2020
LITCE Partly Paid Shares trading on a deferred settlement basis, with terms amended pursuant to Variation, under temporary code LITDA	Day 2	26 February 2020
Record Date	Day 3	27 February 2020
Deferred trading of LITCE Partly Paid Shares ends	Day 4	28 February 2020
First day of normal settlement trading of Partly Paid Shares with terms amended pursuant to Variation, under code LITCE	Day 5	1 March 2020

6.2 Corporations Act and Constitution

Section 246B of the Corporations Act provides that if a company has a constitution that sets out the procedure for varying rights attached to shares in a class of shares, those rights may be varied only in accordance with that procedure.

Clause 7 of the Constitution provides that the rights attaching to any class of shares may be varied with:

- (a) the consent in writing of holders of 75% of the issued shares of that class; or
- (b) a special resolution passed at a separate meeting of holders of the shares in that class.

In addition, clause 7 of the Constitution provides that any variation of rights under clause 2.3 is subject to section 246B of the Corporations Act, which itself requires a meeting of Shareholders of the Company pass a special resolution approving the Variation in addition to a meeting of Partly Paid Shareholders.

Resolution 5 will be passed by Shareholders as a special resolution if 75% of the votes cast by Shareholders present and eligible to vote (whether in person, by proxy, by attorney or, in the case of a corporate shareholder, by a corporate representative) are in favour of it.

6.3 Directors' recommendation

The Directors unanimously support the Variation and recommend that Shareholders vote in favour of Resolution 5.

7. RESOLUTION 6 – APPROVAL FOR ISSUE OF SHARES

7.1 Background

Resolution 6 seeks Shareholder approval for the issue and allotment of up to 50,000,000 Shares on the terms set out below (**Placement**).

The effect of Resolution 6 will be to allow the Directors to issue the Shares pursuant to the Placement during the period of three months after the Meeting (or a longer period, if approved by ASX), without using the Company's 15% placement capacity.

7.2 ASX Listing Rule 7.1

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

7.3 ASX Listing Rule Disclosure Requirements

For the purposes of ASX Listing Rule 7.3, the following information is provided in relation to Resolution 6 to allow Shareholders to assess the proposed Placement for the future issue of 50,000,000 Shares:

- (a) *The maximum number of securities the entity is to issue (if known) or the formula for calculating the number of securities the entity is to issue*

Up to 50,000,000 Shares.

- (b) *The date by which the entity will issue the securities.*

The Shares will be issued by no later than 3 months after the date of this Meeting (or such later date as may be approved by ASX).

- (c) *The issue price of the securities*

The issue price, or deemed issue price, of the Shares will be at least 80% of the average market price of the Shares traded on the ASX calculated over the last 5 days on which sales in the Shares were recorded before the date on which the issue is made.

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

The allottees in respect of Resolution 6 are not, as yet, identifiable, but will be sophisticated and/or professional investors to be identified by the Company. The allottees will not be related parties of the Company or their associates.

- (e) *The terms of the securities*

The Shares to be issued will rank pari passu with the existing fully paid ordinary Shares.

- (f) *The intended use of the funds raised*

The Company intends to use the funds raised by the issue of Shares the subject of Resolution 6 for general working capital purposes, current and potential projects, business development purposes, acquisition of new projects and consultancy fees.

- (g) *The issue date or a statement that the issue will occur progressively*

The Shares will be issued progressively.

7.4 Directors' Recommendation

None of the Directors have a material personal interest in the subject matter of Resolution 6. The Board recommends Shareholders vote in favour of Resolution 6 as it provides the Company with the flexibility to issue, subject to the limits under the ASX Listing Rules, further securities during the next 12 months without Shareholder approval and will enable the Company to fund its ongoing commitments.

8. RESOLUTION 7 – RATIFICATION OF PRIOR ISSUE OF LISTED OPTIONS

8.1 Background

On 4 July 2019 the Company issued 9,000,000 Listed Options to nominees of CPS Capital Group Pty Ltd being part of the consideration for services rendered by CPS Capital Group Pty Ltd to the Company as lead manager to a renounceable entitlement issue undertaken by the Company, as detailed in section 8.4 of the Company's prospectus dated 11 June 2019.

The Company issued the 9,000,000 Listed Options without prior Shareholder approval out of its 15% annual capacity under ASX Listing Rule 7.1.

Resolution 7 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 and for all other purposes of the issue of those Listed Options.

8.2 ASX Listing Rule 7.4

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

ASX Listing Rule 7.4 provides that the approval of holders of the Company's ordinary securities may be obtained after the issue of equity securities. The effect of such ratification is to restore the Company's discretionary power to issue further securities up to 15% of the number of fully paid ordinary securities on issue at the beginning of the relevant 12 month period without obtaining Shareholder approval.

8.3 ASX Listing Rule Disclosure Requirements

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

(a) *The number of securities issued*

9,000,000 Listed Options were issued.

(b) *The price at which the securities were issued*

The Listed Options were issued for nil consideration as they were issued as part of the consideration payable for services rendered to the Company by CPS Capital Group Pty Ltd acting as lead manager to the Company's renounceable entitlement issue.

(c) *The terms of the securities*

The Listed Options are exercisable at \$0.12 on or before 4 July 2021 on the terms and conditions set out in **Annexure D**.

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

2,700,000 Listed Options were issued to CPS Capital No. 3 Pty Ltd and 6,300,000 Listed Options were issued to Michael Soucik and Helen Soucik as trustees for the HMS Superannuation Fund, which are nominees of CPS Capital Group Pty Ltd and which are not related parties of the Company.

(e) *The date on which the securities were issued*

The Listed Options were issued on 4 July 2019.

(f) *The use (or intended use) of the funds raised*

No funds were raised from the issue of the Listed Options. Funds raised from the exercise of the Listed Options will be used for growth opportunities and working capital purposes.

8.4 Directors' recommendation

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

9. RESOLUTION 8 – RATIFICATION OF PRIOR ISSUE OF SHARES

9.1 Background

On 10 December 2019 the Company issued 7,500,000 Shares pursuant to a private placement undertaken by the Company.

The Company issued the 7,500,000 Shares without prior Shareholder approval out of its 10% capacity under ASX Listing Rule 7.1A.

Resolution 8 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 and for all other purposes of the issue of those 7,500,000 Shares.

9.2 ASX Listing Rule 7.4

ASX Listing Rule 7.1A provides that in addition to issues permitted without prior shareholder approval under ASX Listing Rule 7.1, an entity that is eligible and obtains shareholder approval under ASX Listing Rule 7.1A may issue or agree to issue during the period the approval is valid a number of equity securities which represents 10% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period as adjusted in accordance with the formula in ASX Listing Rule 7.1.

ASX Listing Rule 7.4 provides that the approval of holders of the Company's ordinary securities may be obtained after the issue of equity securities. The effect of such ratification is to restore the Company's discretionary power to issue further securities up to 15% of the number of fully paid ordinary securities on issue at the beginning of the relevant 12 month period without obtaining Shareholder approval.

9.3 ASX Listing Rule Disclosure Requirements

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to Resolution 8:

(a) *The number of securities issued*

7,500,000 Shares were issued.

(b) *The price at which the securities were issued*

\$0.045 per Share.

(c) *The terms of the securities*

The Shares are fully paid ordinary shares and rank pari passu with the other Shares on issue.

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

The Shares were issued to Acuity Capital Investment Management Pty Ltd as trustee for the Acuity Capital Holdings A/C.

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

Funds raised by the issue of the Shares will be used for growth opportunities and working capital purposes.

9.4 Directors' recommendation

None of the Directors have a material personal interest in the subject matter of Resolution 8. The Board believes that the ratification of the issue of the Shares is beneficial for the Company. The Board recommends Shareholders vote in favour of Resolution 8 as it provides the Company with the flexibility to issue, subject to the limits under the ASX Listing Rules, further securities during the next 12 months without Shareholder approval.

GLOSSARY

In the Notice of Meeting (including the Annexures thereto) and the Proxy Form, the following terms have the following meanings unless they are otherwise defined or the context otherwise requires:

\$ means Australian dollars.

2019 Financial Report means the Company's financial report for the financial year ended 30 June 2019, which can be downloaded from the Company's website at www.lithium-au.com.

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

Agreement means the Convertible Security Funding and Share Purchase Agreement dated 16 December 2019 between the Company and Lind, the terms and conditions of which are summarised in **Annexure A**.

Annexure means an annexure to this Explanatory Memorandum.

ASIC means the Australian Securities and Investments Commission.

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

ASX Listing Rules or **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 ASX, each as amended or replaced from time to time, except to the extent of any express written waiver by ASX.

Board means the board of Directors.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Chair or **Chairman** means the chairman of the Meeting.

Closely Related Party of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the Company;
- (e) a company the member controls; or
- (f) a person prescribed by the *Corporations Regulations 2001* (Cth) that may be made for this purpose.

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

Constitution means the Company's constitution.

Convertible Note means the convertible note defined in Section 1.1 and when the Replacement Convertible Note is issued, it will mean the Replacement Convertible Note unless the context otherwise requires.

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

Director means a director of the Company.

Equity Securities has the same meaning as in the Listing Rules.

Execution Date means the date of execution of the Agreement, being 16 December 2019.

Explanatory Memorandum means the explanatory memorandum accompanying and forming part of the Notice.

Event of Default means any of the events set out in **Annexure B**.

Freely Trade means the ability of the Noteholder to trade Shares by way of secondary trading on the ASX, including without the Noteholder being required to provide disclosure in accordance with Division 2 of Part 6D.2 of the Corporations Act or otherwise being in breach of section 707 of the Corporations Act, and **Freely Trading** and **Freely Tradable** have a corresponding meaning.

Maximum Number is defined in Section 1.1.

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

Lind or the **Noteholder** means Lind Global Macro Fund, LP, a Delaware limited liability company.

Lind Options is defined in Section 1.1.

Listed Options means the Options quoted under the ASX ticker 'LITO' exercisable on or before 4 July 2021 at the exercise price of \$0.12 per Listed Option with terms and conditions as listed in **Annexure D**.

Lock-Up Period means the period commencing on the Execution Date and ending on the earlier of:

- (a) the day which is 30 days after First Closing;
- (b) the day of an Event of Default occurring under the Agreement;
- (c) the date upon which the Company terminates or pauses the operation of this Agreement generally or in respect of Tranche Shares; and
- (d) such date as is mutually agreed by Lind and the Company.

Notice or **Notice of Meeting** or **Notice of General Meeting** means this notice of General meeting including the Explanatory Memorandum and the Proxy Form.

Option means an option to acquire a Share.

Partly Paid Share means a partly paid share in the capital of the Company, paid to \$0.0001 and unpaid to \$0.2499 (subject to the variations proposed to be made pursuant to Resolution 5).

Proxy Form means the proxy form accompanying and forming part of the Notice.

Remuneration Report means the remuneration report set out in the Directors' Report section of the 2018 Financial Report.

Replacement Convertible Note is defined in Section 1.1.

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

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

Shareholder means a holder of a Share.

Share Registry means the Company's Share registry, Advanced Share Registry Services.

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

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

VWAP means the volume weighted average price of Shares traded on ASX.

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

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

ANNEXURE A

Summary of terms and conditions of the Convertible Note issued under the Convertible Security Funding and Share Purchase Agreement (“the Agreement”)

Lind Global Macro Fund, LP a Delaware limited liability company (the **Noteholder**) has agreed to invest an amount of up to \$6,300,000 in Lithium Australia NL (the **Company**) under a Convertible Security Funding and Share Purchase Agreement entered into between them dated 16 December 2019 (the **Agreement**), under which the Noteholder has agreed to subscribe for and the Company has agreed to issue a Convertible Note to the Noteholder in accordance with the terms of the Agreement.

The following is a broad summary of the rights, privileges, obligations and restrictions attaching to the Convertible Note under the Agreement. The summary is not exhaustive and does not constitute a definitive statement of the rights, obligations and liabilities of the Company and the Noteholder.

Maximum Conversion Shares Limit

Where an issuance of Conversion Shares under the Convertible Note would result in the Maximum Number of 71,440,776 equity securities being exceeded, and the Company has not obtained Shareholder approval under ASX Listing Rule 7.1 to the relevant issuance, that issuance of Conversion Shares will not be made by the Company. The Maximum Number does not apply to any Replacement Convertible Security or any issuance of Conversion Shares under any Replacement Convertible Security.

(a) Term

The Convertible Note has a term of 24 months.

(b) Face Value

The Convertible Note has a total face value of \$3,300,000.

(c) Purchase Price

The purchase price is \$2,900,000, being 87.88% of the Face Value (**Purchase Price**).

(d) Conditions to First Closing

The First Closing has occurred and was subject to the satisfaction of the following conditions precedent which were fulfilled:

- (i) The Company has delivered or caused to be delivered to the Noteholder, and the Noteholder has received, the following:
 - (A) a copy of the resolutions duly adopted by the board of directors of the Company, substantially in the form attached as Annexure B to the Agreement;
 - (B) the security documents (being a general security agreement by the Company in favour of the Noteholder and from certain nominated subsidiaries of the Company a deed of guarantee and indemnity in favour of the Noteholder and a general security agreement in favour of the Noteholder), executed by all parties to them other than the Noteholder; and
 - (C) the flow of funds request, substantially in the form set out in Annexure C to the Agreement.
- (ii) The Company has issued the 15,000,000 Collateral Shares to the Noteholder or its nominee in accordance with the Agreement.
- (iii) The Company has duly executed and lodged with ASX a Convertible Cleansing Statement in respect of the Convertible Note (being this document) and the ASX has

released that document to the market on 16 December 2019.

- (iv) The representations and warranties of the Company contained in the Agreement are true and correct in all material respects as of the dates on which they are made or deemed to be made under the Agreement.
- (v) No:
 - (A) Event of Default has occurred; and
 - (B) Event of Default would result from the First Closing, or the First Tranche Closing (as that term is defined in the Agreement) being effected.
- (vi) The Company has performed and complied in all material respects with all agreements and covenants required by the Agreement to be performed and complied with by the Company as at or prior to the First Closing, or the First Tranche Closing (as applicable).
- (vii) The Noteholder has received each of the documents required to be delivered, or which evidences satisfaction of the conditions, in accordance with paragraphs (i) – (vi) of this section in connection with the First Closing, or the First Tranche Closing (as applicable).

(e) Issue date

The Convertible Note was issued on 17 December 2019 being no later than five (5) business days after the date of execution of the Agreement, subject to the satisfaction of the conditions precedent set out above.

(f) Options

The Lind Options (exercisable at \$0.055 on or before the date that is 36 months from the date of their issue) will be issued to the Noteholder promptly after the Company receives Shareholder approval for the issue of the Lind Options (which approval will be sought at the same meeting at which the Company seeks Shareholder approval for the issue of the Replacement Convertible Note, and which is the subject of Resolution 4).

(g) Interest

Other than in circumstances of an Event of Default, no interest will be payable by the Company in respect of the Convertible Note.

(h) Security

The Convertible Note will rank as senior secured debt and will be secured by a fixed and floating general security, registration pursuant to the *Personal Property Securities Act 2009* (Cth), subsidiary guarantees and a pledge of subsidiary shares but excluding any security over the mining tenements held by the Company or any of its subsidiaries.

(i) Conversion and Floor Price

- (i) Subject to the restrictions contained in the Agreement concerning the Company's placement capacity and the Maximum Number, at any time during the Term after the Lock-Up Period, and on more than one occasion, the Noteholder may provide the Company no less than two (2) Business Days' prior notice (**Conversion Notice**) requiring the Company to effect a conversion of the Convertible Note (**Conversion**), on a date specified by the Noteholder in its sole discretion (each a **Conversion Date**) (each date of such notice, a **Conversion Notice Date**), the Noteholder may convert the Convertible Note into Shares at a rate equal to the lower of:
 - (A) the price per Share equal to 92.5% of the average of three (3) daily volume weighted average prices (**VWAP**) for Shares on three (3) consecutive trading days chosen by the Noteholder from among the twenty (20) consecutive trading days immediately prior to the relevant Conversion Notice Date or date of the buy-back conversion notice (provided that if the resultant average VWAP

number is greater than \$0.01 and contains five or more decimal places, such number will be rounded down to the next lowest number containing four decimal places and where the resultant average VWAP number is less than or equal to \$0.01 and contains four or more decimal places, such number will be rounded down to the next lowest number containing three decimal places); and

(B) \$0.055,

(Conversion Price).

- (ii) The Conversion Notice must specify:
- (A) the conversion amount, which must be at least the lesser of \$50,000 and the Amount Outstanding (**Conversion Amount**); and
 - (B) whether the Conversion Amount will be constituted in whole or in part by a reduction in the number of Collateral Shares (**Conversion Collateral Capitalisation Election**); and
 - (C) the Conversion Price applicable to the Conversion due to be effected on the Conversion Date, and setting out the manner in which such Conversion Price was calculated by the Noteholder.
 - (D) The number of Conversion Shares that the Company must Issue in a Conversion shall be determined by dividing the Australian dollar amount of the relevant Conversion Amount by the Conversion Price, provided that if the resultant number contains a fraction, such number shall be rounded up to the next highest whole number
- (iii) The Noteholder will be limited to converting the following amounts during the Term:
- (A) Month 1: Lock-Up (no conversions).
 - (B) Months 2 to 12: Up to \$150,000 per month (provided that if the Company terminates the operation of the share purchase provisions under the Agreement during that time, this amount will be increased to \$300,000).
 - (C) Months 13 to 24: Up to \$300,000 per month.
- (iv) In the event that the Company's market capitalisation exceeds \$35,000,000 or reduces below \$10,000,000, or if there is an Event of Default, the above conversion limits will not apply. The upper market capitalisation threshold has been exceeded on more than one occasion since the date of the Agreement.
- (v) If the Noteholder converts any portion of the Convertible Note at a price below the Floor Price of \$0.03, the Company may at its election (**Conversion Floor Payment Notice**) within three business days of receiving the relevant Conversion Notice elect to pay that conversion in cash instead of Shares plus a 2.5% premium.
- (vi) Where the Company has given the Noteholder a Conversion Floor Payment Notice, the Noteholder may elect, by written notice to the Company at any time prior to

the applicable Conversion Date to receive Conversion Shares that are the subject of the Conversion Floor Payment Notice, at a Conversion Price equal to the Floor Price; and/ or to exercise a Conversion Collateral Capitalisation Election in respect of Conversion Shares the subject of the Conversion Floor Payment Notice, at a Conversion Price equal to the Floor Price in lieu of a payment in immediately available funds.

(j) Redemption and Repayment

No part of the Amount Outstanding for the Convertible Security shall be redeemable by the Company at any time, except as expressly set out in the Buy Back Provisions of the Agreement (which are summarised in paragraph (k) immediately below) or otherwise where expressly permitted in accordance with the Agreement.

(k) Buy Back Provisions

In its sole discretion, the Company may buy-back the outstanding balance of the Convertible Note at any time. In the event of the Company electing to exercise its right to buy-back the outstanding balance, it must issue the Noteholder with a buy-back notice for the Convertible Note (**Buy-Back Notice**).

A Buy-Back Notice must exclude that part of the amount outstanding in respect of which, as of the time the Company gives the Noteholder a Buy-Back Notice, the Noteholder has already given a conversion notice to the Company (the **Excluded Converted Amount**).

Subject to the Maximum Number (prior to the issue of the Replacement Convertible Note), within five (5) business days of receiving a Buy-Back Notice, the Noteholder may give a Conversion Notice to the Company for up to 30% of the Face Value of the Convertible Note (**Buy-Back Conversion Notice**) at the time of issue, (**Buy-Back Conversion Amount**) at the Conversion Price.

Upon issuing a Buy-Back Notice to the Noteholder, the Company irrevocably and unconditionally agrees to, within five (5) Business Days of receiving the Buy-Back Conversion Notice, or if no Buy-Back Conversion Notice is received then within ten (10) Business Days of issuing the Buy-Back Notice:

- (i) buy-back the relevant Convertible Note (excluding the Buy-Back Conversion Amount and any Excluded Converted Amount), for the Buy-Back Amount Outstanding; and
- (ii) pay the Buy-Back Amount Outstanding to the Noteholder in immediately available funds.

If the Noteholder has given the Company a Conversion Notice and the Company is unable to Issue all of the required Conversion Shares the subject of the Conversion Notice to the Noteholder or to issue all of the required Conversion Shares the subject of the Conversion Notice as Freely Tradable Shares to the Noteholder, then without limiting any of the Noteholder's other rights under the Agreement the Noteholder may by written notice to the Company (**Cash Conversion Notice**) require the Company to pay a cash amount to the Noteholder equal to Y multiplied by $\$A$, where:

- (iii) Y = the number of new Shares which would have been Issued under the relevant Conversion Notice (subject to any Collateral Share offset at the election of the Noteholder); and

- (iv) \$A = the VWAP per Share (in Australian dollars) on the date of issuance of the relevant Conversion Notice (as applicable),

(Cash Conversion Amount); and upon the Company receiving a Cash Conversion Notice from the Noteholder, the Company must within one (1) Business Day pay the Noteholder in immediately available funds the Cash Conversion Amount.

In the event the Company issues Shares to the Noteholder pursuant to the buy-back provisions of the Agreement, such Shares must be issued using the Company's available placement capacity under ASX Listing Rule 7.1 at that time or with prior Shareholder approval.

(l) Events of Default

The Events of Default are as set out in **Annexure B** to this Cleansing Notice.

If an Event of Default occurs and continues unremedied for a period of seven (7) days, the Noteholder may declare at any time by notice to the Company that:

- (i) the entire outstanding principal amount, together with accrued interest, and all other amounts accrued or outstanding under the Agreement or the Convertible Note is due and payable within thirty days (excluding the occurrence of certain Events of Default which will render the amount immediately due for payment) and the Company must the Convertible Note in full and must pay the Termination Payment to the Noteholder; and
- (ii) the Agreement is terminated.

(m) Termination by the Noteholder

The Agreement:

- (i) shall terminate immediately upon expiration of the Term (being 24 months from the date of issue of the Convertible Note); and
- (ii) may be terminated:
 - (A) by the mutual written consent of the parties, at any time;
 - (B) by either party, by notice to the other, on the occurrence or existence of a Securities Termination Event (as defined below).
 - (C) by the Noteholder, if an Event of Default occurs which is not remediable, is a payment default, any Noteholder's Shares are not quoted or not able to be freely traded on ASX within three (3) business days of the date of their issue) or the Noteholder has not received all those items required to be delivered to it in connection with a Conversion or a Closing in accordance with the Agreement strictly within the required relevant timeframes) OR if it is remediable but is not remedied within 7 days of the Noteholder giving the Company written notice of the Event of Default or If there is a Change in Law Termination Event (defined below) or at any time there exists a Law which, or an official or reasonable interpretation of which, makes it, or may make it, illegal or impossible in practice for the Noteholder to undertake any of the Contemplated Transactions, or render any of the Contemplated Transactions unenforceable, void or voidable, the Noteholder may, by giving written notice to the Company, suspend or cancel some or all of its obligations under this Agreement, or terminate this Company written notice of the Event of Default; or
 - (D) by the Noteholder, if there is a change of control in relation to the Company where the Noteholder has not provided its prior written consent.

Any termination by either Party will give rise to the Noteholder's right to require repayment of

the whole of the amount outstanding under the Agreement.

Change in Law Termination Event means:

- (i) there exists a Law which, or a generally accepted interpretation of which makes it illegal or impossible for the Noteholder or the Company to undertake any of the contemplated transactions under the Agreement or transactions of similar kind (including acquisition and/or disposition, at a time of the Noteholder's choosing, of any Noteholder's Shares), in accordance with the Agreement, or renders consummation of any of the contemplated transactions under the Agreement unenforceable, void, voidable or unlawful, or contrary to or inconsistent with any law (as defined in the Agreement); or
- (ii) if:
 - (A) a change in a generally accepted interpretation or administration of a Law of the Commonwealth of Australia or the United States of America or any State or Territory of Australia or the United States of America, or by the ASIC or ASX or the U.S. Securities and Exchange Commission (**Australian or US Law**); or
 - (B) compliance by the Noteholder or any of its Affiliates with an Australian or US Law or a generally accepted interpretation or administration of an Australian Law; or
 - (C) a change after the date of the Agreement in an Australian or US Law or a generally accepted interpretation or administration of an Australian or US Law, has the effect of:
 - (a) materially varying the duties, obligations or liabilities of the Company or the Noteholder in connection with any transaction document or contemplated transactions under the Agreement so that the Noteholder's rights, powers, benefits, remedies or economic burden (including any tax treatment in the hands of the Noteholder) are materially adversely affected (including by way of delay or postponement);
 - (b) otherwise materially adversely affecting rights, powers, benefits, remedies or the economic burden of the Noteholder (including by way of delay or postponement); or
 - (c) otherwise making it impracticable for the Noteholder to undertake any of the Contemplated Transactions.

Securities Termination Event means any of the following has occurred:

- (i) trading in securities generally in Australia or the United States has been suspended or limited for a consecutive period of greater than three (3) Business Days;
- (ii) minimum trading prices have been established on securities in Australia or the United States or on the ASX for a consecutive period of greater than three (3) Business Days; or
- (iii) a banking moratorium has been declared by the Australian, the United States or the New York State authorities and is continuing for a consecutive period of greater than three (3) Business Days.

(n) Other Transactions

During the Term the Company is prohibited by the terms of the Agreement from entering into a financing arrangement similar to the arrangement it has entered into with Lind pursuant to the Agreement.

The Agreement sets out certain transactions which the Company is permitted to undertake during the Term without needing to seek Lind's approval, in each case subject to there being no Event of Default, to the relevant transactions occurring at fair market value and

to the transaction in question being approved by the Board.

ANNEXURE B

Events of Default

Defined terms in this annexure are as used in the Agreement.

The following are Events of Default:

- (a) Any of the representations, warranties, or covenants made by the Company or any of its agents, officers, directors, employees or representatives in any Transaction Document, Materials or public filing are inaccurate, false or misleading in any material respect, as of the date as of which it is made or deemed to be made, or any certificate or financial or other written statements furnished by or on behalf of the Company to the Investor, any of its representatives, or the Company's shareholders, is inaccurate, false or misleading, in any material respect, as of the date as of which it is made or deemed to be made, or on any Closing Date, Conversion Date, or date of issuance of any Investor's Shares.
- (b) The Company (or any of its Australian Subsidiaries unless otherwise agreed in writing by the Investor) suffers or incurs an Insolvency Event.
- (c) The Company (or any of its Australian Subsidiaries unless otherwise agreed in writing by the Investor) ceases, suspends, or threatens to cease or suspend, the conduct of all or a substantial part of its business, or disposes of, or threaten to disposes of, a substantial part of its assets.
- (d) The Company (or any of its Australian Subsidiaries unless otherwise agreed in writing by the Investor) takes action to reduce its capital or pass a resolution referred to in section 254N(1) of the Corporations Act without the Investor's prior written consent.
- (e) The Company does not comply with clause 11.9 of the Agreement which deals with the Company being required to lodge Cleansing Statements and Cleansing Prospectuses in the future (regardless of whether it is able to comply with clause 11.9 of the Agreement) or, despite so complying, any of the Investor's Shares cannot be Freely Traded from the date of their quotation on ASX.
- (f) Any Investor's Shares are not quoted or not able to be Freely Traded on ASX within three (3) Business Days of the date of their Issue.
- (g) A stop order, suspension of trading, cessation of quotation, or removal of the Company or the Shares from the ASX Official List has been requested by the Company or imposed by ASIC, the ASX, or any other Governmental Authority or regulatory body with respect to public trading in the Shares on the ASX; except for a suspension of trading not exceeding five (5) Trading Days or as agreed to by the Investor in any twelve (12) month period or as agreed to by the Investor. For the avoidance of doubt, trading halts not longer than 2 days do not constitute an Event of Default or a suspension of trading.
- (h) Any of the conditions set out in clause 4.1 of the Agreement (Conditions Precedent to First Closing), clause 5.1 of the Agreement (Conditions Precedent to each Subsequent Closing – Investor) or clause 6.6 of the Agreement (Conditions to Tranche Share Issuance and Conversion) of the Agreement have not have been fulfilled in a timely manner or the time prescribed and the satisfaction of such conditions has not been waived in writing by the Investor.
- (i) The Company disputes or denies the right of the Investor to receive any Investor's Shares or Options.

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- (j) A Transaction Document or the Agreement has become, or is claimed (other than in a vexatious or frivolous proceeding) by any person that is not the Investor or its Affiliate to be, wholly or partly void, voidable or unenforceable.
 - (k) Any person has commenced any action, claim, proceeding, suit, investigation, or action against any other person or otherwise asserted any claim before any Governmental Authority, which seeks to restrain, challenge, deny, enjoin, limit, modify, delay, or dispute, the right of the Investor or the Company to enter into any Transaction Documents or undertake any of the Contemplated Transactions (other than a vexatious or frivolous proceeding or claim).
 - (l) Any event, development or condition occurs or arises which has or would be likely to have a Material Adverse Effect.
 - (m) Any consent, permit, approval, registration or waiver necessary or appropriate for the consummation of those Contemplated Transactions under the Agreement that remain to be consummated at the applicable time, has not been issued or received, or does not remain in full force and effect.
 - (n) The transactions to be undertaken at a Closing, a Tranche Share Issuance or a Conversion would result in the Company breaching Listing Rule 7.1 unless the Company has complied with its obligations under clause 11.18(d) of the Agreement (insufficient placement capacity) (by calling a Shareholder meeting to consider resolutions to refresh the Company's capacity or approve a specific issue of securities within 30 calendar days of the Company failing to have sufficient capacity under Listing Rule 7.1) and obtained the necessary Company shareholder approval. For the avoidance of doubt, if such approval is not obtained, an Event of Default will have occurred.
 - (o) The Investor has not received all those items required to be delivered to it in connection with a Tranche Share Issuance, Conversion or a Closing in accordance with the Agreement, strictly within the relevant timeframes required under the Agreement.
 - (p) The Company fails to perform, comply with, or observe, in a material respect, any other term, covenant, undertaking, obligation or agreement under any Transaction Document.
 - (q) A default judgment of an amount of \$500,000 or greater is entered against the Company or any of its Australian Subsidiaries.
 - (r) The Company and/or any of its Australian Subsidiaries defaults in relation to any payment obligation under any financial accommodation, including any loan, advance, debenture or other form of financing entered into with a third party (taking into account any applicable grace period adopted by the relevant third party) for an amount in excess of \$500,000.
 - (s) Any present or future liabilities, including contingent liabilities, of the Company or any of its Australian Subsidiaries for an amount or amounts totalling more than \$500,000 have not been satisfied on time, or have become prematurely payable.
 - (t) The Company does not, within 90 days of the First Closing, obtain Shareholder Approval to the issue of the Replacement Convertible Note to the Investor and issue the Replacement Convertible Security (referred to as the Replacement Convertible Note in this Notice) to the Investor in accordance with clause 2.2 of the Agreement.
 - (u) The Company does not, within 90 days of the First Closing, obtain Shareholder Approval to the issue of the Options to the Investor and issue the Options to the Investor in accordance with the Agreement.
 - (v) The Shares are offered on ASX at \$0.001 and there is no bid for the Shares on ASX for 10 consecutive trading days.

- (w) Any event of default (however described) occurs under the security documents.
- (x) Any other matter which is referred to as an Event of Default under the Agreement (if any).
- (y) The Company breaches clause 11.23 of the Agreement, which requires that it not during the Term make use of or give effect to its Controlled Placement Deed with Acuity Capital Investment Management Pty Ltd or otherwise receive funds from Acuity Capital Investment Management Pty Ltd (or any associated or related party) (which is in place until 31 January 2023).

ANNEXURE C

Lind Options Terms and Conditions

1. Nature of Options

(a) Each Option will grant the holder of that Option the right but not the obligation to be issued by the Company one Share upon the payment of the Options Exercise Price of \$0.055 per option (subject to any adjustment under the Share Purchase and Convertible Security Agreement dated 16 December 2019 (**Agreement**)).

(b) Each Option will be exercisable by the Option holder complying with its obligations under this clause at any time after the time of the grant of the Option and prior to the Options Expiration Date at 5pm WST on 28/02/2023, after which time it will lapse.

2. Exercise of Options

(a) An Option holder may exercise any of its Options at any time prior to their expiration at 5pm WST on 28/02/2023, by delivery of:

(i) a copy, whether facsimile or otherwise, of a duly executed Option exercise form substantially in the form as Annexure A (the **Exercise Form**), to the Company during normal business hours on any Business Day at the Company's principal executive offices (or such other office or agency of the Company as it may designate by notice to the Option holder);

(ii) a copy, whether facsimile or otherwise, of any exercise form required by the share registrar; and

(iii) payment of an amount equal to the Options Exercise Price (\$0.055) multiplied by the number of Shares in respect of which the Options are being exercised at the time by wire transfer to the account specified by the Company from time to time or by bank draft delivered to the Company during normal business hours on any Business Day at the Company's principal executive offices (or such other office or agency of the Company as it may designate by notice to the Option holder).

(b) As soon as reasonably practicable, but in any event no later than two (2) Business Days after receipt of a duly completed Exercise Form and the payment referred to in clause 2(a)(iii), the Company must cause its securities registrar to:

(i) issue and electronically deliver the Shares in respect of which the Options are so exercised by the Option holder; and

(ii) provide to the Option holder holding statements evidencing that such Shares have been recorded on the Share register.

(c) A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Lind Option being exercised in cleared funds (**Exercise Date**). Within 15 Business Days after the later of the following:

(i) the Exercise Date; and

(ii) when excluded information in respect to the Company (as defined in section 708A(7) of the Corporations Act) (if any) ceases to be excluded information, but in any case no later than 20 Business Days after the Exercise Date, the Company will

(l) allot and issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;

(ll) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11)

of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and

(III) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Lind Options.

(d) If a notice delivered under (c)(iv) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

(e) Shares issued on exercise of the Lind Options rank equally with the then issued shares of the Company.

(f) If admitted to the official list of ASX at the time, application will be made by the Company to ASX for quotation of the Shares issued upon the exercise of the Lind Options.

3. Bonus Issues

If prior to an exercise of an Option, but after the issue of the Option, the Company makes an issue of Shares by way of capitalisation of profits or out of its reserves (other than pursuant to a dividend reinvestment plan), pursuant to an offer of such Shares to at least all the holders of Shares resident in Australia, then on exercise of the Option, the number of Shares over which an Option is exercisable will, subject to the Listing Rules, be increased by the number of Shares which the holder of the Option would have received if the Option had been exercised before the date on which entitlements to the issue were calculated.

4. Rights Issues

If prior to an exercise of an Option, but after the issue of the Option, any offer or invitation is made by the Company to at least all the holders of Shares resident in Australia for the subscription for cash with respect to Shares, options or other securities of the Company on a pro rata basis relative to those holders' Shareholding at the time of the offer, the Options Exercise Price will be reduced as specified in the Listing Rules in relation to pro-rata issues (except bonus issues).

5. Reconstruction of Capital

In the event of a consolidation, subdivision or similar reconstruction of the issued capital of the Company, and subject to such changes as are necessary to comply with the Listing Rules applying to a reconstruction of capital at the time of the reconstruction:

(a) the number of the Shares to which each Option holder is entitled on exercise of the outstanding Options will be reduced or increased in the same proportion as, and the nature of the Shares will be modified to the same extent that, the issued capital of the Company is consolidated, subdivided or reconstructed (subject to the same provisions with respect to rounding of entitlements as sanctioned by the meeting of shareholders approving the consolidation, subdivision or reconstruction); and

(b) an appropriate adjustment will be made to the Options Exercise Price of the outstanding Options, with the intent that the total amount payable on exercise of the Options will not alter.

6. Cumulative Adjustments

Subject to the Company complying with the Listing Rules, full effect will be given to the provisions of clauses 0 to 0, as and when occasions of their application arise and in such manner that the effects of the successive applications of them are cumulative, the intention being that the adjustments they progressively effect will be such as to reflect, in relation to the Shares issuable on exercise of the Options outstanding, the adjustments which on the occasions in question are progressively effected in relation to Shares already on issue.

7. Notice of Adjustments

Whenever the number of Shares over which an Option is exercisable, or the Options Exercise Price, is adjusted pursuant to the Agreement, the Company must give notice of the adjustment to all the Option holders as soon as reasonably practicable and in any event, within three (3) Business Days.

8. Rights Prior to Exercise

Prior to its exercise, an Option does not confer a right on the Option holder to participate in a new issue of securities by the Company.

9. Redemption

The Options will not be redeemable by the Company.

10. Assignability and Transferability

The Options will be freely assignable and transferable, subject to the provisions of Chapter 6D of the Corporations Act and the applicable Law.

11. No quotation for Lind Options

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

ANNEXURE D

Listed Options Terms and Conditions

- (a) Each Listed Option entitles the holder to be issued one Share.
 - (b) The exercise price of the Listed Options is \$0.12 each.
 - (c) The expiry date of a Listed Option is 4 July 2021.
 - (d) The Listed Options may be exercised at any time prior to the expiry date, in whole or in part, upon payment of the exercise price per Listed Option.
 - (e) The Listed Options are currently quoted on ASX.
 - (f) The Listed Options are freely transferable subject to any restriction or escrow arrangements imposed by the Corporations Act and the ASX Listing Rules.
 - (g) The holder of a Listed Option may not exercise less than 4,167 Listed Options at any one time unless the holder has less than 4,167 Listed Options in which event the holder must exercise all of the Listed Options together.
 - (h) The Company will provide to each Listed Option holder a notice that is to be completed when exercising the Listed Options (**Notice of Exercise**). Listed Options may be exercised by the Listed Option holder in whole or in part by completing the Notice of Exercise and forwarding the same to the Secretary of the Company to be received prior to the expiry date. The Notice of Exercise must state the number of Listed Options exercised, the consequent number of Shares to be issued and the identity of the proposed subscribers. The Notice of Exercise by a Listed Option holder must be accompanied by payment in full for the relevant number of Shares being subscribed, being an amount of the exercise price per Share.
 - (i) All Shares issued upon the exercise of the Listed Options will rank equally in all respects with the Company's then issued Shares. The Company must apply to the ASX in accordance with the Listing Rules for all Shares pursuant to the exercise of Listed Options to be admitted to quotation.
 - (j) There are no participating rights or entitlements inherent in the Listed Options and the holders will not be entitled to participate in new issues or pro-rata issues of capital to Shareholders during the term of the Listed Options. Thereby, the Listed Option holder has no rights to a change in:
 - (i) the exercise price of the Listed Option; or
 - (ii) period of exercise of the Listed Option; or
 - (iii) except in the event of a Bonus Issue (defined below), a change to the number of underlying securities over which the Listed Option can be exercised.
 - (k) The Company will ensure, for the purposes of determining entitlements to any issue, that Listed Option holder will be notified of a proposed issue after the issue is announced. This will give Listed Option holders the opportunity to exercise their Listed Options prior to the date for determining entitlements to participate in such issues.
 - (l) If from time to time on or prior to the Expiry Date the Company makes a bonus issue of securities to holders of Shares in the Company (**Bonus Issue**), then upon exercise of his or her Listed Options a holder will be entitled to have issued to him or her (in addition to the Shares which he or she is otherwise entitled to have issued to him or her upon such exercise) the number of securities which would have been issued to him or her under that Bonus Issue if the Listed Options had been exercised before the record date for the Bonus Issue.
 - (m) In the event of any reconstruction (including consolidation, subdivisions, reduction or return) of the authorised or issued capital of the Company, all rights of the Listed Option holder shall be reconstructed (as appropriate) in accordance with the ASX Listing Rules.
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ANNEXURE E

Revised Rights and Liabilities Attaching to Partly Paid Shares

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

1. Each Partly Paid Share:
 - (a) is issued at a total issue price of \$0.060 per Partly Paid Share;
 - (b) is deemed to be paid up to \$0.0001;
 - (c) has an initial unpaid amount of \$0.0599;
 - (d) carries the right to participate in new issues of securities to holders of fully paid Shares (except bonus issues) on the same basis as holders of fully paid Shares;
 - (e) 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 Partly Paid Shares (**Partly Paid Shareholder**) will be notified by the Company of any proposed bonus issue of securities at least 14 days prior to the record date for any such issue;
 - (f) carries the right to vote in the proportion which the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited); and
 - (g) carries the right to participate in dividends on the same basis as if the Partly Paid Shares were fully paid up unless a call has been made on the Partly Paid Shares and that call is due and unpaid.
2. At least 15 Business Days' notice of any call will be provided to Partly Paid Shareholders.
3. Subject to clause 8, joint Partly Paid Shareholders are jointly and severally liable to pay any call made on the Partly Paid Shares.
4. If the Company is listed on ASX, the Company will apply to have the fully paid Shares (that have come about as a result of the Partly Paid Shareholder paying the unpaid amount in full) listed for quotation by ASX within 10 days of the date of any such payment of the unpaid amount.
5. Subject to meeting the requirements of the ASX Listing Rules, the Partly Paid Shares will be quoted on the ASX.
6. Should there be any conflict between these terms and the ASX Listing Rules, the ASX Listing Rules will prevail.
7. 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):
 - (a) the number of Partly Paid Shares must be reorganised in the same proportion as all other classes of shares on issue; and
 - (b) the reorganisation must not involve a cancellation or reduction of the total amount payable and unpaid by Partly Paid Shareholders.
8. In accordance with Part 2H.3 of the Corporations Act and the ASX Listing Rules, Partly Paid Shareholders do not have a contractual obligation to pay calls in respect of the unpaid amount on their Partly Paid Shares. However, the 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 Partly Paid Shares may then be sold by the Company by public auction in accordance with the Corporations Act.

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

GENERAL MEETING

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

Name of proxy

OR the Chair of the General Meeting as your proxy

or failing the person so named or, if no person is named, the Chair of the General Meeting, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, as the proxy sees fit, at the General Meeting to be held at Level 1, 675 Murray Street, Perth WA at 9:00am WST on 24 February 2020, and at any adjournment thereof.

CHAIR'S VOTING INTENTION IN RELATION TO UNDIRECTED PROXIES

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

Voting on Business of the General Meeting

		FOR	AGAINST	ABSTAIN
Resolution 1	Ratification of issue of Shares to LIND	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Ratification of issue to LIND of Convertible Note, and issue of Equity Securities up to the Maximum Number under the Convertible Note	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Approval for the issue of Options to LIND	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Approval for the issue of Replacement Convertible Note to LIND	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Variation of Class Rights – Partly Paid Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Approval for the issue of Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7	Ratification of prior issue of Listed Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8	Ratification of prior issue of Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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

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

Individual or Member 1	Member 2	Member 3
<input style="width: 250px; height: 25px;" type="text"/>	<input style="width: 250px; height: 25px;" type="text"/>	<input style="width: 250px; height: 25px;" type="text"/>
Sole Director/Company Secretary	Director	Director/Company Secretary

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

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

Instructions for Completing 'Appointment of Proxy' Form

1. A Shareholder entitled to attend and vote at a meeting is entitled to appoint not more than two proxies to attend and vote on their behalf. Where more than one proxy is appointed, such proxy must be allocated a proportion of the Shareholder's voting rights. If the Shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes.
2. A duly appointed proxy need not be a Shareholder of the Company. In the case of joint holders, all must sign.
3. Corporate Shareholders should comply with the execution requirements set out on the proxy form or otherwise with the provisions of Section 127 of the Corporations Act. Section 127 of the Corporations Act provides that a company may execute a document without using its common seal if the document is signed by:
 - directors of the company;
 - a director and a company secretary of the company; or
 - for a proprietary company that has a sole director who is also the sole company secretary – that director.
4. For the Company to rely on the assumptions set out in Section 129(5) and (6) of the Corporations Act, a document must appear to have been executed in accordance with Section 127(1) or (2). This effectively means that the status of the persons signing the document or witnessing the affixing of the seal must be set out and conform to the requirements of Section 127(1) or (2) as applicable. In particular, a person who witnesses the affixing of a common seal and who is the sole director and sole company secretary of the company must state that next to his or her signature.
5. Completion of a proxy form will not prevent individual Shareholders from attending the meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Form and attends the meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the meeting.
6. Where a Proxy Form or form of appointment of corporate representative is lodged and is executed under power of attorney, the power of attorney must be lodged in like manner as this proxy.
7. To vote by proxy, please complete and sign the Proxy Form enclosed and either send the Proxy Form :
 - (a) by post, to Lithium Australia NL, PO Box 1088, West Perth WA 6872
 - (b) by facsimile, to the Company on facsimile number (08) 9475 0847; or
 - (c) by email, to the Company at info@lithium-au.com

so that it is received not later than **9:00am WST on 22 February 2020**.

Proxy forms received later than this time will be invalid.