



Novo Lítio Ltd

ACN 009 146 794

Notice of General Meeting and Explanatory Statement

**Level 11, 125 St Georges Terrace, Perth Western Australia
on 15 March 2018
commencing at 10.00am (WST)**

The Notice of General Meeting, Explanatory Statement and Proxy Form should be read in their entirety. If you are in doubt as to how you should vote, you should seek advice from your accountant, solicitor or other professional adviser prior to voting.

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Notice of General Meeting

Notice is given that the General Meeting of Novo Latio Ltd ACN 009 146 794 (**Novo Latio** or **Company**) will be held at Level 11, 125 St Georges Terrace, Perth, Western Australia, on Thursday, 15 March 2018 commencing at 10.00am (WST).

AGENDA

Resolution 1 – Approval to grant Performance Options to Justin Tremain

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

That for the purposes of Listing Rule 10.11 and for all other purposes, Shareholders approve the issue of up to 9 million Performance Options to the Company's Managing Director, Mr Justin Tremain (or his nominee(s)) on the terms and conditions set out in the Explanatory Statement.

Voting exclusion: The Company will disregard any votes cast in favour of Resolution 1 by or on behalf of Justin Tremain (or his nominee(s)) or any of their Associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or by the Chairman of the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Members of Key Management Personnel and their Closely Related Parties (other than the Chairman of the Meeting) may not vote as proxy if the appointment does not specify how the proxy is to vote. The Chairman of the Meeting may vote undirected proxies only if expressly authorised to do so on the Proxy Form.

By order of the Board of Directors

Mr Mathew Whyte
Company Secretary
10 March 2018

Proxy appointment and voting instructions

Voting eligibility – snapshot date

The Directors have determined that the persons eligible to attend and vote at the General Meeting are those persons who are registered Shareholders at 10.00am (WST) on Tuesday, 13 March 2018. Transactions registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

Proxy Form

The Proxy Form (and any power of attorney or other authority, if any, under which it is signed) or a copy or facsimile which appears on its face to be an authentic copy of the proxy form (and the power of attorney or other authority) must be lodged no later than 10.00am (WST) on Tuesday, 13 March 2018. Proxy Forms may be lodged:

By hand: Level 11, 125 St Georges Terrace Perth WA 6000

By mail: Level 11, 125 St Georges Terrace Perth WA 6000

By email: mwhyte@novolitio.com

Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Appointment of a proxy

A Shareholder entitled to attend and vote at the Meeting is entitled to appoint a proxy. The proxy may, but need not be, a Shareholder.

Please write the name of the person you wish to appoint as your proxy in the Proxy Form. If you leave this section blank, or your named proxy does not attend the Meeting, the Chairman will be appointed as your proxy.

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company on +61 8 9228 4408 or you may photocopy the Proxy Form. To appoint a second proxy you must state on each Proxy Form (in the appropriate box) the percentage of your voting rights which are the subject of the relevant proxy. If both Proxy Forms do not specify that percentage, each proxy may exercise half your votes. Fractions of votes will be disregarded.

Directing your proxy to vote on Resolutions

You may direct your proxy how to vote by marking For, Against or Abstain for each Resolution. All your shareholding will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on the Resolutions by inserting the percentage or number of Shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the Resolutions, your proxy may vote as he or she chooses (except where a voting exclusion applies). If you mark more than one box on a Resolution your vote on will be invalid on that Resolution.

Voting restrictions that may affect your proxy appointment

Members of the Key Management Personnel (except for the Chairman) and their Closely Related Parties are not able to vote your proxy on Resolution 1 or 2 unless you have directed them how to vote. This exclusion does not apply to the Chairman if his appointment as proxy expressly authorises him to vote on matters of Key Management Personnel remuneration.

If you intend to appoint the Chairman, a Director or any other member of Key Management Personnel or any of their Closely Related Parties as your proxy, you are encouraged to direct them how to vote on all the Resolutions.

How the Chairman will vote undirected proxies

At the date of this Notice, the Chairman intends to vote all undirected proxies FOR each of the Resolutions. In exceptional cases the Chairman's intentions may change subsequently and in this event, the Company will make an announcement to the market.

The Proxy Form expressly authorises the Chairman to exercise undirected proxies on all Resolutions even though the Resolutions are connected directly or indirectly with the remuneration of a member of Key Management Personnel.

Corporate Shareholders

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:

- two 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.

Corporate Representatives

A corporation may elect to appoint an individual to act as its representative in accordance with section 250D of the Corporations Act, in which case the Company will require a certificate of appointment of the corporate representative executed in accordance with the Corporations Act. The certificate of appointment must be lodged with the Company, before the Meeting or at the registration desk on the day of the Meeting.

Defined terms

Capitalised terms used in the Notice and the Explanatory Statement are defined in the Glossary.

Explanatory Statement

This Explanatory Statement has been prepared to provide information to Shareholders about the business to be conducted at the Meeting.

1. Resolution 1 – Approval to grant Performance Options to Justin Tremain

1.1 Background

The Company seeks Shareholder approval for the grant of 9 million Performance Options to Justin Tremain, the Company's Managing Director.

The proposed grant of Performance Options was announced by the Company on 10 January 2018, and forms part of the remuneration package for Justin Tremain.

The proposed grant of Performance Options to Mr Tremain is intended to:

- (a) provide an appropriate and adequate incentive for Mr Tremain;
- (b) ensure the Company retains the services of Mr Tremain; and
- (c) reinforce the commitment of Mr Tremain as its Managing Director.

The Board considers the issue of the Performance Options to be reasonable in the circumstances given the Company's size, stage of development and the need to attract and retain Directors of high calibre, whilst still maintaining cash reserves.

The proposal to grant the Performance Options to Mr Tremain reflects the level of commitment to be provided by Mr Tremain to the Company, taking into account his responsibilities and the time commitments required from him.

1.2 Regulatory requirements

Listing Rule 10.11 restricts the Company from issuing securities to a related party of the Company, unless approval is obtained from Shareholders. As Mr Tremain is a Director of the Company, he is a related party of the Company, and Shareholder approval is required for the issue of the 9 million Performance Options to him.

If Resolution 1 is approved by Shareholders for the purpose of Listing Rule 10.11, the issue of up to 9 million Performance Options to Mr Tremain or his nominee(s), will not utilise the Company's 15% placement capacity under Listing Rule 7.1.

If Shareholders approval is not received under Resolution 1, the Company will not issue the Performance Options to Mr Tremain.

The grant of the Performance Options will confer a financial benefit on Mr Tremain. However, Shareholder approval is not being sought for the purposes of the related party benefit provisions of the Corporations Act (particularly section 208 of the Corporations Act) on the basis that the benefit is considered to constitute reasonable remuneration and, therefore, the exception in section 211 of the Corporations Act applies. Section 211 provides that shareholder approval is not required for the purposes of section 208 in circumstances where the benefit constitutes remuneration which would be reasonable given the company's and the related party's circumstances.

Having considered the Company's circumstances and Mr Tremain's position with the Company, the Board other than Mr Tremain considers that the financial benefit conferred by

the grant of the Performance Options to Mr Tremain is reasonable and therefore, the exception in section 211 applies.

1.3 Information required by Listing Rule 10.13

Listing Rule 10.13 requires that information be provided to Shareholders for the purposes of obtaining Shareholder approval pursuant to Listing Rule 10.11 as follows:

- (a) The Performance Options will be issued to Justin Tremain or his nominee(s).
- (b) The maximum number of Securities to be issued is 9 million Performance Options.
- (c) The Performance Options will be issued no later than one month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules).
- (d) The Performance Options will be issued for nil cash consideration.
- (e) The full terms of the Performance Options proposed to be issued to Mr Tremain are set out in **Schedule 1**. The key terms of the Performance Options proposed to be issued to Mr Tremain are as follows:
 - (i) The 9 million Performance Options will comprise three tranches:
 - A. Tranche 1: 4 million Performance Options will vest on Mr Tremain remaining continuously employed by the Company for a period of not less than 12 months;
 - B. Tranche 2: 2.5 million Performance Options will vest on the Board of the Company considering, in its absolute discretion, that the Company's legal dispute with respect to the Sepeda Lithium Project has been resolved; and
 - C. Tranche 3: 2.5 million Performance Options will vest on the 15-day volume weighted average price of Shares on ASX being at least \$0.10 each.
 - (ii) All Performance Options that have not vested by 1 February 2021 will automatically lapse and be forfeited.
 - (iii) Vested Performance Options are exercisable at \$0.001 each. Each Performance Option entitles Justin Tremain to receive, upon exercise, one Share.
 - (iv) The Performance Options are unquoted and non-transferable. The Performance Options will not entitle Justin Tremain to receive dividends on Shares before exercise and do not carry any voting rights.
 - (v) The unvested Performance Options of Mr Tremain will automatically lapse and be forfeited if Mr Tremain voluntarily resigns otherwise than to take up employment with a Related Body Corporate of the Company or if he is dismissed from employment for a material breach of his contract of employment, gross negligence or other conduct justifying termination without notice. Mr Tremain's Performance Options will not lapse if he ceases employment due to death, permanent disablement, retirement, redundancy or any other circumstance in which the Board determines his Performance Options should not lapse.

1.4 Interests of Mr Tremain

Mr Tremain has a material personal interest in the outcome of Resolution 1 as pursuant to that Resolution it is proposed that he be issued Performance Options.

As the Company's Managing Director, Mr Tremain is entitled to Director's fees in the amount of \$200,000 per annum (including taxes and non-cash benefits, but excluding statutory superannuation entitlements, fringe benefits tax and payroll tax).

Set out below is a breakdown of Mr Tremain's current remuneration package for the current financial year.

| Salary, fees and superannuation | Long term benefits (equity) | Total remuneration |
|---------------------------------|-------------------------------------|---|
| \$219,000 | Up to 9 million Performance Options | \$219,000 and up to 9 million Performance Options |

The Company may at any time during Mr Tremain's employment, in addition to the above, pay to Mr Tremain a performance-based bonus, in determining the amount of which, the Company must take into account the key performance indicators of Mr Tremain and the Company as the Company may set from time to time, and any other matter it deems appropriate.

Mr Tremain is entitled to reimbursement for all reasonable expenses incurred when travelling in connection with the performance of his duties.

The full terms of Mr Tremain's employment are set out in his executive services agreement, a summary of which was released to ASX on 10 January 2018.

If Shareholder approval is given under Resolution 1 for the issue of 9,000,000 Performance Options, and those Performance Options subsequently vest and are converted to Shares, Mr Tremain will have a direct interest in 9,000,000 Shares, being approximately 2.43% of the Share capital on issue in the Company.

1.5 Directors' recommendations

The Directors (other than Mr Tremain) recommend that Shareholders vote in favour of Resolution 1.

1.6 Proxy voting restrictions

If you appoint the Chairman as your proxy and have not directed him how to vote with respect to Resolution 1, you are expressly authorising the Chairman to cast your undirected proxy on that Resolution in accordance with his stated intentions. The Chairman intends to vote all undirected proxies for Resolution 1.

If you appoint any other member of the Board, a member of senior management who is named in the Remuneration Report, or their closely related parties as your proxy, they will not be able to vote your proxy on Resolution 1 unless you have directed them how to vote.

Glossary of terms

In this Notice and Explanatory Statement, the following terms have the following meaning unless the context otherwise requires:

| | |
|---|---|
| Associate | Has the meaning set out in the Listing Rules. |
| ASX | ASX Limited ACN 008 624 691. |
| Board | Board of Directors of the Company. |
| Child Entities | Has the meaning set out in the Listing Rules. |
| Chairman | The chairman of the Meeting. |
| Closely Related Parties | Has the meaning set out in the Corporations Act. |
| Company or Novo Lito | Novo Lito Ltd ACN 009 146 794. |
| Constitution | The constitution of the Company. |
| Corporations Act | <i>Corporations Act 2001</i> (Cth) as amended from time to time. |
| Director | A director of the Company. |
| Explanatory Statement | This explanatory statement which accompanies and forms part of the Notice. |
| General Meeting or Meeting | The annual general meeting of Shareholders or any adjournment thereof, convened by this Notice. |
| Key Management Personnel | Those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise). |
| Listing Rules | The listing rules of ASX, as amended from time to time. |
| Notice or Notice of Annual General Meeting | The notice of Annual General Meeting which accompanies the Explanatory Statement. |
| Performance Option | An option to acquire a Share, the vesting of which is subject to Vesting Conditions. |
| Proxy Form | The proxy form accompanying the Notice. |
| Related Body Corporate | Has the meaning given to that term in the Corporations Act. |
| Remuneration Report | The remuneration report contained in the Directors' report for the year ended 30 June 2017. |
| Resolution | A resolution set out in the Notice. |
| Security | Has the meaning given to that term in the Listing Rules. |
| Sepeda Lithium Project | The Company's Sepeda Lithium Project, located in the Barroso-Alvão district, Northern Portugal. |

| | |
|---------------------------|---|
| Share | A fully paid ordinary share in the Company. |
| Shareholder | A registered holder of a Share. |
| Vesting Conditions | The conditions which must be satisfied before a Performance Option can vest. |
| WST | Australian Western Standard Time, being the time in Perth, Western Australia. |

Schedule 1 – Terms of Performance Options

1. **Tranches:** The Performance Options comprise three tranches, each of which is subject to a Vesting Conditions, as follows

| Tranche | Number | Vesting Condition |
|---------|-----------|---|
| 1 | 4,000,000 | The person to whom the Performance Options were first offered (Grantee) is continuously employed by the Company for a period of not less than 12 months. |
| 2 | 2,500,000 | The Board of the Company considers, in its absolute discretion, that the Company's legal dispute with respect to the Sepeda Lithium Project has been resolved. |
| 3 | 2,500,000 | The 15-day volume weighted average price of Shares on ASX is at least \$0.10 each. |

2. **Vesting Conditions:** If the Vesting Condition applicable to a tranche of Performance Options is not met on or before 1 February 2021, those Performance Options will lapse and be forfeited.
3. **Entitlement:** Each vested Performance Option entitles the holder (Option Holder) to subscribe for 1 fully paid ordinary share (**Share**) in the Company.
4. **No payment on grant:** The Option Holder is not required to pay any amount on the issue or vesting of a Performance Option.
5. **Exercise price:** The exercise price of each Performance Option is \$0.001 (**Exercise Price**).
6. **Expiry date:** Each Performance Option not exercised by 5.00pm (WST) on 1 February 2023 (**Expiry Date**) will automatically lapse and terminate.
7. **Certificate or holding statement:** The Company must give the Option Holder a certificate or holding statement stating:
- (a) the number of Performance Options granted to the Option Holder;
 - (b) the Exercise Price of the Performance Options; and
 - (c) the date of grant of the Performance Options.
8. **Restrictions on dealing and transfer:**
- (a) An Option Holder must not sell, transfer, mortgage, pledge, charge, grant a security interest over or otherwise dispose of (**Dispose**) any Performance Options, or agree to do any of the same, without the prior consent of the Company's Board of Directors (**Board**), except where such Disposal occurs by force of law.
 - (b) The transfer of any Performance Option is subject to any restrictions on transfer under the Corporations Act or the ASX Listing Rules.
9. **Quotation of Performance Options:** The Company will not apply for quotation of any Performance Options.
10. **New issues:** The Option Holder is not entitled to participate in any new issue to the holders of Shares (**Shareholders**) of securities in the Company unless they have exercised their Performance Options before the record date for determining entitlements to the new issue of securities and participate as a result of holding Shares. The Company must give the Option

Holder notice of the proposed terms of the issue or offer in accordance with the ASX Listing Rules.

11. **Bonus issues:** If the Company makes a bonus issue of Shares or other securities to Shareholders (except an issue in lieu of dividends or by way of dividend reinvestment) and a Share has not been issued in respect of the Performance Option before the record date for determining entitlements to the issue, then the number of underlying Shares over which the Performance Option is exercisable will be increased by the number of Shares which the Option Holder would have received if the Option Holder had exercised the Performance Option before the record date for determining entitlements to the issue.
12. **Pro rata issues:** If the Company makes a pro rata issue of Shares (except a bonus issue) to Shareholders (except an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) and a Share has not been issued in respect of the Performance Option before the record date for determining entitlements to the issue, the Exercise Price of each Performance Option will be reduced in accordance with the ASX Listing Rules.
13. **Reorganisation:**
 - (a) If there is a reorganisation (including consolidation, sub-division, reduction or return) of the share capital of the Company, then the rights of the Option Holder (including the number of Performance Options to which the Option Holder is entitled to and the Exercise Price) will be changed to the extent necessary to comply with the ASX Listing Rules applying to a reorganisation of capital at the time of the reorganisation.
 - (b) Any calculations or adjustments which are required to be made will be made by the Company's Board of Directors and will, in the absence of manifest error, be final and conclusive and binding on the Company and the Option Holder.
 - (c) The Company must, within a reasonable period, give to the Option Holder notice of any change to the Exercise Price of any Performance Options held by the Option Holder or the number of Shares which the Option Holder is entitled to subscribe for on exercise of an Performance Option.
14. **Exercise:**
 - (a) Subject to 14(b), an Option Holder:
 - (i) may not exercise a Performance Option during the period (**Restriction Period**) commencing on the date that a Performance Option is granted and expiring on the Vesting Date; and
 - (ii) may only exercise a Performance Option after the expiry of the Restriction Period and prior to the Expiry Date.
 - (b) Notwithstanding paragraph 14(a), a Performance Option may be exercised:
 - (i) during or, in the Board's absolute discretion, immediately prior to the following period:
 - (A) where a general offer has been made to acquire Shares, the period of 6 months (or such other period as the Board, in its absolute discretion, determines and notifies in writing to the Grantee) after such offer has become or been declared unconditional, or
 - (B) in relation to a scheme of arrangement, the period of 6 months (or such other period as the Board, in its absolute discretion, determines and notifies in writing to the Grantee) after the scheme has become effective whereby

more than 50 per cent of the Shares carrying a right to vote in general meetings of the Company have vested in another person or in any combination of persons acting in concert;

- (ii) in the Board's absolute discretion, at any time after a person, or a group of associated persons, becomes entitled to sufficient Shares to give that person or persons the ability, in general meeting, to replace all or a majority of the Board;
 - (iii) at any time after the announcement of a proposed capital reorganisation referred to in paragraph 13;
 - (iv) in the Board's absolute discretion, following the occurrence and announcement by the Company of an event that in the opinion of the Board is likely to lead to the Company being removed from the official list of ASX; or
 - (v) in the Board's absolute discretion, within 12 months, if the Grantee suffers an illness or incapacity necessitating the permanent withdrawal of the Grantee from the work force, as accepted to the satisfaction of the Board (**Permanent Disablement**), or any other circumstances which the Board considers should be treated as Permanent Disablement of the Grantee.
- (c) To exercise Performance Options, the Option Holder must give the Company or its securities registry, at the same time:
- (i) a written exercise notice (in the form approved by the board of the Company from time to time) specifying the number of Performance Options being exercised, which must be no less than 500 and then in multiples of 100, and Shares to be issued;
 - (ii) payment of the Exercise Price for the Performance Options the subject of the exercise notice, by way of bank cheque or by other means of payment, approved by the Company; and
 - (iii) the certificate or holding statement for those Performance Options, or documentary evidence satisfactory to the Board that the certificate or holding statement was lost or destroyed.
- (d) A notice of exercise in relation to any Performance Options only becomes effective when the Company has received the full amount of the Exercise Price for the number of Performance Options specified in the notice, in cleared funds.
- (e) Performance Options will be deemed to have been exercised on the date the exercise notice is lodged with the Board.
15. **Re-issue of certificate or holding statement:** If the Option Holder exercises less than the total number of Performance Options registered in the Option Holder's name:
- (a) the Option Holder must surrender their Performance Option certificate (if any); and
 - (b) the Company must cancel the Performance Option certificate (if any) and issue the Option Holder a new Performance Option certificate or holding statement stating the remaining number of Performance Options held by the Option Holder.
16. **Issue of Shares:** Within 10 days after receiving an application for exercise of Performance Options and payment by the Option Holder of the Exercise Price, the Company must issue the Option Holder the number of Shares specified in the application.

17. **Equal ranking:** Subject to the Company's Constitution, all Shares issued on the exercise of Performance Options will rank in all respects (including rights relating to dividends) equally with the existing ordinary Shares of the Company at the date of issue.
18. **Quotation of Shares:** The Company will apply to ASX for official quotation of the Shares issued on exercise of Performance Options.
19. **Good leaver and bad leaver:** Subject to paragraph 20 below, the Performance Options will automatically lapse and be forfeited if during the Restricted Period the Grantee:
 - (a) voluntarily resigns from employment with the Company otherwise than to take up employment with a related body corporate (as that term is defined in the Corporations Act) of the Company (**Group Company**);
 - (b) voluntarily resigns as a Director;
 - (c) is dismissed from employment or is removed from his or her position with the Company for any one or more of the following reasons:
 - (i) material breach of the terms of any contract of employment, engagement or office entered into by the Company (or another Group Company) and the Grantee;
 - (ii) gross negligence;
 - (iii) other conduct justifying termination of employment, engagement or office without notice either under the Grantee's contract of employment, engagement or office, or at common law;
 - (iv) the Grantee ceases his or her employment, engagement or office for any reason and commences employment, engagement or office, or otherwise acts, in breach of any post-termination restrictions contained in his or her contract of employment, engagement or office entered into by the relevant Group Company and the Grantee; or
 - (v) the Grantee is ineligible to hold his or her office pursuant to the Corporations Act.
20. Performance Options that are subject to a Restricted Period will not lapse and be forfeited if the Grantee ceases employment, ceases to be a Director or is removed from his or her position in the following circumstances:
 - (a) death of the Grantee;
 - (b) Permanent Disablement of the Grantee, or any other circumstances which the Board considers should be treated as Permanent Disablement;
 - (c) retirement of the Grantee from all employment;
 - (d) redundancy; or
 - (e) where the Board in its absolute discretion determines that the Grantee may maintain his/her right to exercise the Performance Options.
21. **Tax deferral:** Subdivision 83A-C of the *Income Tax Assessment Act 1997* (Cth), applies (subject to the conditions in that Act) to the Performance Options.

22. **Governing law:** These terms and the rights and obligations of the Option Holder are governed by the laws of Western Australia. The Option Holder irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of Western Australia.