

13 October 2016

ASX ANNOUNCEMENT

DISCOVERY IN SONORA, MEXICO ADDS TO THE POTENTIAL OF THE ELECTRA PROJECT OF LITHIUM AUSTRALIA AND CANADA'S ALIX RESOURCES CORP.

HIGHLIGHTS

- **Significant lithium rich clay deposits identified near the Tule Concession (Electra Project)**
- **Clay horizon traced for approximately one kilometre**
- **Apparent thickness of target horizon 20-30 metres**
- **Assays up to 1000ppm Li**
- **Successful concession applications lodged**

Background

Lithium Australia NL (ASX: LIT) consolidated its alliance to progress the Electra Project (Sonora, Mexico) on 9 February 2016. LIT has earned 25% equity in the project (ASX announcement 26 May 2016) and is proceeding to earn a majority interest. LIT may earn up to 65% by contributing to various project expenditures and making progress payments in cash and shares (ASX announcement 9 February 2016). LIT's JV partner, Alix Resources Corporation (**AIX-TSX:V**) (**37N-Frankfurt**) currently holds 75%.

Alix Resources Corporation announcement

Alix Resources Corporation ("Alix") announced a new discovery, now part of the Electra Project, on 11 October 2016, a full copy of which can be viewed on the LIT website. The new discovery "Agua Fria" abuts the Tule prospect to the south (Figure 1).

Significance of the Alix announcement

Fertile clays, within the geological environment of the project area, generally exhibit low lithium grades. Results in the range of 100-200 ppm Li may be considered to be anomalous and grades in excess of 1000ppm are often included in Resource calculations, as exemplified in numerous studies undertaken by AIM and TSX listed Bacanora Minerals plc.

The new lithium-clay discovery and the recently applied for Agua Fria concession (Figure 1) will comprise a portion of the Electra Project, which at present is owned 25% by LIT and 75% by Alix.

The Alix assays result from surface reconnaissance sampling within the new concession application and, are clearly anomalous, ranging from 347ppm to 1000ppm Li.

The anomalous clay bearing horizon is shallow-dipping and has been traced over a strike length of one kilometre and has an apparent thickness of 20-30 metres.

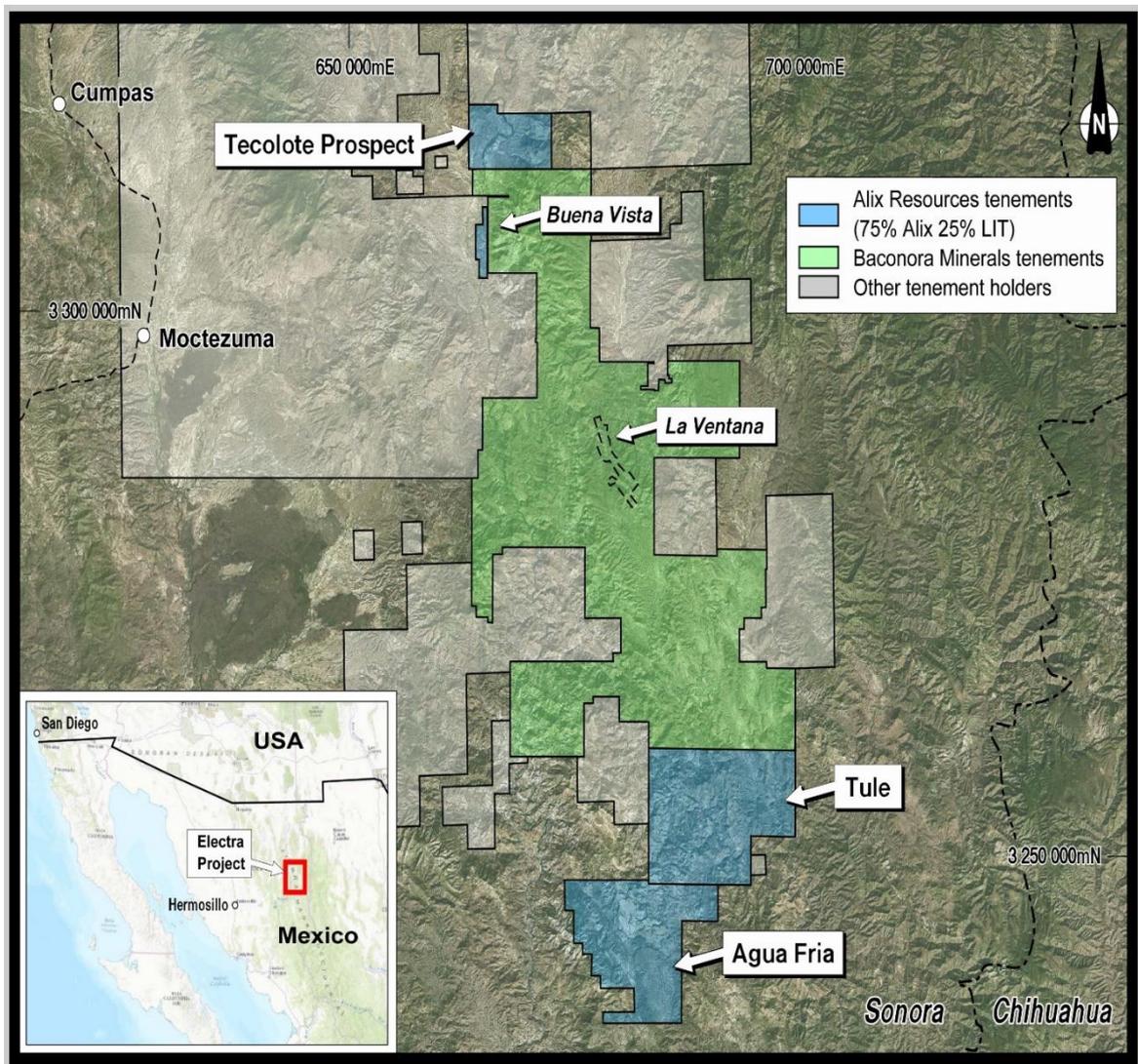


Figure 1 Location of the Agua Fria discovery and other prospects in the Electra Project.

Comments from the CEOs

Mike England, president of Alix, stated: *"We are very excited to have discovered new lithium-rich clay horizons with strongly anomalous lithium values and are pleased to have successfully submitted a new application to cover the strike and dip continuation of these sedimentary units."*

Lithium Australia's CEO, Adrian Griffin commented: *"The significance of high lithium tenors in the initial samples should not be underestimated. We are very optimistic about the direction we are headed with Alix and look forward to exploration success as the program unfolds."*

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About Lithium Australia

Lithium Australia NL is a dedicated developer of disruptive lithium extraction technologies, and 100% owner of the Sileach™ process for the recovery of lithium from silicates. LIT has strategic alliances with a number of companies, potentially providing access to a diversified lithium mineral inventory. LIT aspires to create the union between resources and the best available technology and to establish a global lithium processing business.

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