

11 January 2016

ASX ANNOUNCEMENT

\$6.55m Placement to expedite lithium strategy

- **LIT Placement to raise \$6.55m**
- **Placement comprises a A\$2.5m to professional and sophisticated investors in addition to a A\$4m cornerstone investment**
- **\$22.5M contributing shares**
- **Extremely well-funded to execute lithium strategy implementation**

Global lithium developer, Lithium Australia NL (ASX: LIT or **Company**) advises that it is set to secure A\$6m in funding (before expenses) through a placement to institutional, professional and sophisticated investors at \$0.14 per share. This is in addition to the partly paid contributing share bonus issue announced on 7 January 2016 which could potentially bring in a further \$22.5 million when required.

The funding includes a A\$4m investment by Lanstead Capital LP (**Lanstead**) by way of a placement of 28,571,429 shares at \$0.14 cents per share, details of which are outlined under "Details of Lanstead Investment".

Adrian Griffin, Managing Director

"The LIT Board is elated with the outcome of this funding opportunity, particularly in the shadow of recent market turmoil. We welcome Lanstead as our first institutional shareholder and applaud the confidence Lanstead has in our strategy to use disruptive technology to surpass the outcomes being achieved by the more conventional lithium producers. The capability of our plan has been expanded with the recent successful production of lithium hydroxide giving our processing package a potential paradigm shift in production revenue.

The BW Equities component of the funding package was oversubscribed showing a vote of confidence, by the investing public, in Lithium Australia's development plan.

When combined with our recently announced contributing share issue we will potentially have access to over \$28M. Lithium Australia is well positioned to advance its projects in 2016 and beyond.

The \$2.55M placement component of the funding package is to be issued to sophisticated and professional investors that are clients of Melbourne based BW Equities. BW equities will receive a 1% management fee for the issue, and a 5% commission. Shares subject of the BW Equities placement are expected to be issued on Thursday 14 January 2016.

Net proceeds from the raising will be used for project development, process development, working capital and general corporate purposes.

BW Equities Pty Ltd acted as manager for the placement.

Details of Lanstead Investment - LIT will receive \$600,000 of the Lanstead investment upfront with the remainder of the investment distributed under the terms of an equity sharing agreement between the two parties. Under the agreement, LIT will receive 18 monthly cash settlements for the remaining \$3.4m of the investment by Lanstead. This sharing agreement allows LIT to secure much of the potential upside arising from future news flow and any share price appreciation of LIT.

The value of further advances subject of the equity sharing agreement will be determined by LIT's share price each month based on a volume weighted average price for 5 trading days prior to each settlement date measured against a benchmark price of \$0.1867 per share. If the LIT share price exceeds the benchmark price for that month, LIT will receive more than 100% of the monthly settlement due on a pro rata basis. Importantly, there is no upper limit placed on the additional funds receivable by the Company as part of the monthly settlements. Should the LIT share price dip below the benchmark price for the month, LIT will receive less than 100% of the expected monthly settlement due, on a pro rata basis (so the total cash received may exceed or fall below \$4m). In addition, LIT has agreed to make a value payment to Lanstead of 1,428,571 ordinary shares as consideration for the sharing agreement. The future performance of the LIT share price will not result in any increase to the number of shares issued to Lanstead.

The placement to Lanstead is subject to final documentation and final agreements which are expected to be signed by Wednesday 13 January 2015.

Following the issue and allotment to Lanstead of the placement shares and value payment, Lanstead will have an interest in 28,571,429 Shares, representing approximately 15.9% of the Company's issued Share capital as at the date of this announcement.

We now request that the trading halt be lifted.

Adrian Griffin

Managing Director

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About Lithium Australia NL:

LIT is a dedicated developer of disruptive lithium extraction technologies. LIT has strategic alliances with a number of companies, potentially providing access to a diversified lithium mineral inventory on three continents.

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