

25 July 2016**ASX ANNOUNCEMENT****Further WA expansion as new acquisition by Lithium Australia adds to strategic lithium holdings in State's Gascoyne region****HIGHLIGHTS**

- **Acquisition of all of the issued capital of Lithophile Pty Ltd to control three lithium prospects in Gascoyne Complex, WA**
- **Consolidates Lithium Australia's position, previously controlled by a single exploration licence application.**
- **Areas of extensive mineralization and outcropping Pegmatites occur within the area now controlled by Lithium Australia**
- **The Gascoyne project augments Lithium Australia's key holdings in Australia's most prominent lithium provinces**

Leading lithium developer, Lithium Australia NL (ASX: LIT) has expanded its extensive lithium holdings throughout Western Australia with the acquisition of additional acreage in the prospective Gascoyne region.

The three new prospects have been acquired by the 100% takeover of private company, Lithophile Pty Ltd (Lithophile). The prospects are all located within a recognised area of high lithium potential in the Gascoyne Complex located 750km north of Perth (Figure 1). The new holdings are in close proximity to Lithium Australia's existing exploration licence application in the Gascoyne.

Details of the acquisition are outlined in the attached Annexure 1.

BACKGROUND

LIT made its first exploration licence application (E09/2168) in the Gascoyne early this year. Further applications lodged by Lithophile attracted LIT's attention, as the ground covered by the Lithophile exploration licence applications showed a strong parallel with Lithium Australia's own exploration model for the Gascoyne region.

LIT has subsequently acquired all of the issued capital in Lithophile to expand its footprint in the Gascoyne Complex where a large number of rare metal pegmatites have been previously explored for tantalum, niobium, tin and tungsten. Pegmatite swarms to the west of LIT's holdings are known to contain lithium. However, none of the occurrences within LIT's ground have been previously assessed for lithium despite exhibiting exceptionally favourable geological characteristics.

The acquisition of Lithophile now provides Lithium Australia with access to four prospects within the Gascoyne Complex.

LIT's consolidated project area in the Gascoyne now consists of 4 prospects:

- Mt James 1: E09/2200 - Lithophile exploration licence application
- Mt James 2: E09/2201 - Lithophile exploration licence application
- Thomas River: E09/2191 - Lithophile exploration licence application
- Yinnietharra: E09/2168 – LIT exploration licence application

Mt James and Thomas River prospects target the volatile-rich leucogranite source rocks whilst LIT's Yinnietharra prospect is based on known occurrences of tin, tantalum, beryl and tungsten hosted by pegmatites that are distal from the magma source. The association of rare metals, together with pegmatite and leucogranite source rocks, is a very promising indicator for lithium mineralisation.

Lithium Australia's Managing Director, Adrian Griffin said:

"The Gascoyne has many of the attributes of WA's other emerging lithium centres. The area has been a focus of past rare metal exploration but its lithium potential has been ignored. This acquisition continues LIT's long-term strategy to procure alternative lithium sources to feed a Western Australian based lithium chemical industry. We recognise the variability in ore types and chemistry present an immense challenge but the Company's research will create the most effective union of processing technology and ore types."

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About Lithium Australia NL

LIT is a dedicated developer of disruptive lithium extraction technologies including the versatile Sileach™ process which is capable of recovering lithium from any silicate minerals. LIT has strategic alliances with a number of companies, potentially providing access to a diversified lithium mineral inventory globally and access to the optimum processing technology for any lithium ore source.

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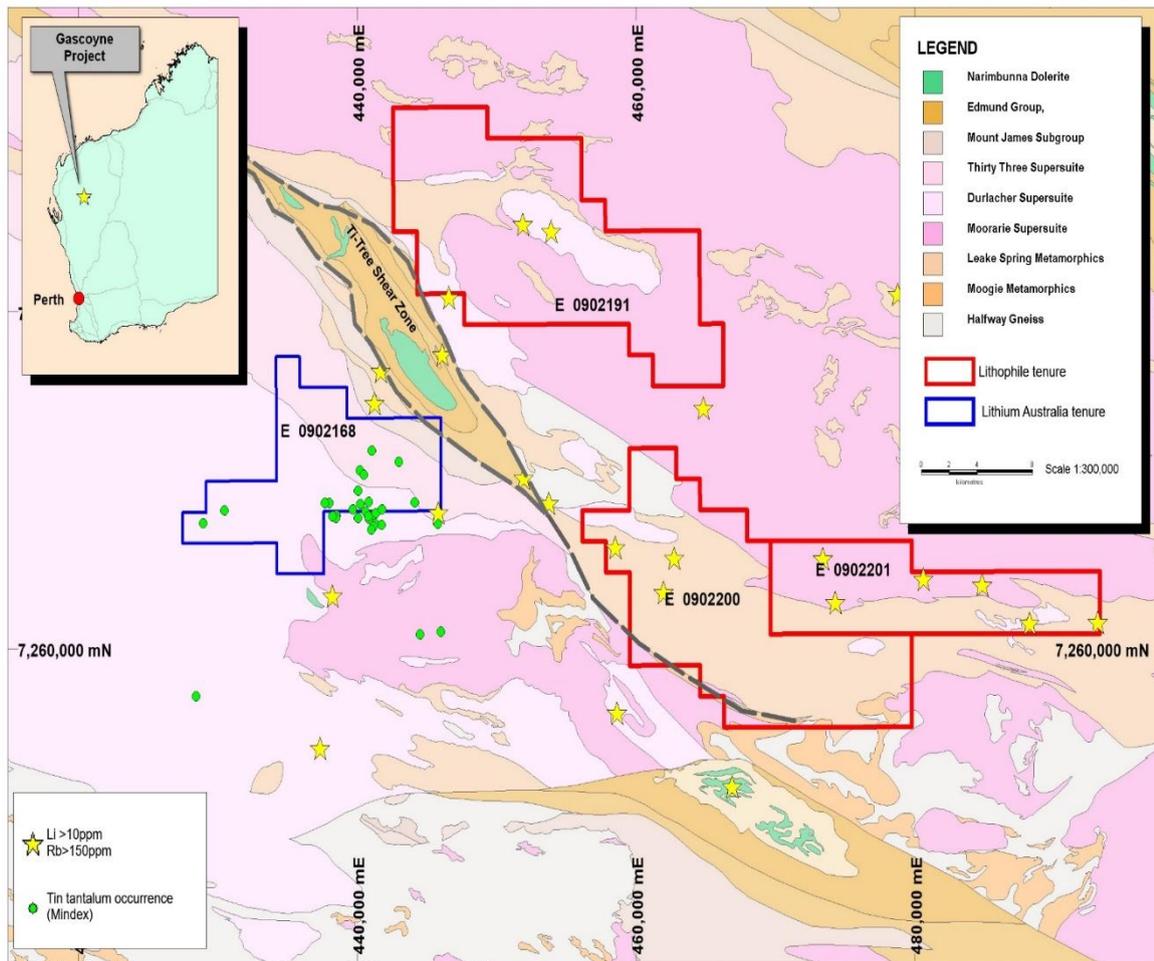


Figure 1. Lithium Australia's consolidated tenure applications in the prospective Gascoyne Complex.

Attachment 1 – Terms for the acquisition of all of the issued capital of Lithophile Pty Ltd

LIT has purchased 100% of Lithophile Pty Ltd for consideration of:

- (a) a cash payment of \$60,000.
- (b) 500,000 fully paid ordinary LIT shares and 500,000 \$0.25 partly paid LIT shares
- (c) within 10 business days of LIT compiling a prefeasibility study on agreed terms, the issue and allotment to the vendors and/or their nominee(s) of:
 - I. 500,000 fully paid ordinary LIT shares;
 - II. 500,000 \$0.25 partly paid LIT shares ;and
- (d) subject to LIT first receiving any necessary Shareholder approvals required under the Listing Rules or the Corporations Act, within 10 Business Days after the completion by LIT of a study on any part of the area of the Tenements which advises indicated resources of not less than 1 million tonnes grading 1% lithium, the issue and allotment of 1,500,000 fully paid ordinary LIT shares.