

1 May 2017

ANNOUNCEMENT

PRELIMINARY RESULTS OUTLINE A PATH TO LOW-COST LITHIUM EXTRACTION AT AGUA FRIA, MEXICO (LITHIUM AUSTRALIA 49%, ALIX RESOURCES 51%).

HIGHLIGHTS

- Mineralogy suggests there is potential to significantly beneficiate Agua Fria mineralisation
- Most lithium liberated rapidly at ambient temperature
- No expensive reagents required
- No roasting required

BACKGROUND

Drilling is progressing at the Agua Fria prospect, where Lithium Australia (ASX: LIT) and Alix Resources Corporation (TSX:V AIX) operate a 49/51% joint venture (Figure 1).

The Agua Fria prospect in Mexico is part of the Electra Project (Figure 1) which is focused on volcanogenic sediments which host widespread lithium mineralization. The sediments occur within the same geological sequence as Bacanora Minerals' La Ventana deposit which is currently being evaluated for production.

La Ventana is the largest documented lithium "clay" deposit. Agua Fria has a similar footprint. Early indications are very promising with significant drill intervals having average values exceeding 1000ppm lithium.

Agua Fria lies to the south of La Ventana and has a similar footprint.

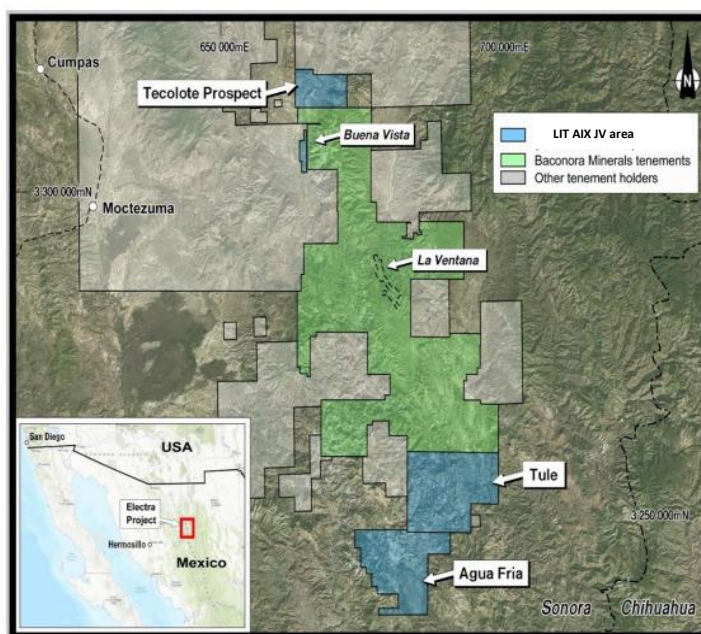


Figure 1 Shows the location of the Electra Project (which includes Agua Fria) Sonora, Mexico.

PRELIMINARY METALLURGICAL RESULTS

Metallurgical test work is being undertaken by Kapes Cassidy and Associates in Reno, Nevada (USA). Material characterization (using sample from surface trenching) has been evaluated with quantitative Xray diffraction and yielded the results shown in Table 1.

Mineral	Ideal Formula	Composite 1
Quartz	SiO ₂	2
K-feldspar	KAlSi ₃ O ₈	18
Plagioclase	NaAlSi ₃ O ₈ – CaAlSi ₂ O ₈	13
Analcime	NaAlSi ₂ O ₆ ·H ₂ O	12
Ankerite – Dolomite	Ca(Fe ²⁺ , Mg, Mn)(CO ₃) ₂ – CaMg(CO ₃) ₂	23
Calcite	CaCO ₃	1
Anatase	TiO ₂	1
Montmorillonite, model	(Na,Ca) _{0.3} (Al,Mg) ₂ Si ₄ O ₁₀ (OH) ₂ ·nH ₂ O	30
Total		100

Table 1 Quantitative XRD of trench composite samples, Agua Fria.

INTERPRETED MINERALOGY

Quantitative XRD analyses were performed on a sample composited from trenches excavated at Agua Fria. The XRD suggests the main lithium bearing phase is montmorillonite, a lithium clay similar to hectorite. The accessory mineralisation is dolomite, quartz, K-feldspar, plagioclase and analcime.

ACID EXTRACTION OF LITHIUM AT AMBIENT TEMPERATURE

Preliminary sulphuric acid shaker tests were carried out at room temperature for a period of four hours on the range of samples containing up to 950 ppm Li. Lithium extractions up to 85% were observed. These are excellent results given the fact that these sighter tests were performed at low temperature and relatively short residence time. The tests indicate no thermal pre-treatment of the material is required.

Moderate increase in temperature and residence time is expected to improve kinetics and push lithium extraction into the high 90's.

BENEFICIATION POTENTIAL

Montmorillonite is thought to be the main lithium bearing mineral. It accounts for only 30% of the mass. Efficient separation of the montmorillonite from gangue minerals has the potential to produce a concentrate with significantly higher lithium grades than the bulk material, subject of the characterization work.

Separating montmorillonite from the acid consuming gangue minerals, dolomite and calcite, by the application of de-sliming or flotation will significantly reduce acid addition.

Managing Director, Mr Adrian Griffin said:

“These results are a great start to our metallurgical evaluation program and clearly show the potential to produce a valuable concentrate from the host volcanogenic sediments. The acid solubility of the lithium is of greater importance. The ability to leach the lithium in very short periods of time, at ambient temperature, and without the requirement of pre-treatment may have profound effects on the economics of Agua Fria, the next major lithium clay deposit.”

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. 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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Competent Persons Statement:

The information contained in the report that relates to Exploration Results together with any related assessments and interpretations is based on information compiled or reviewed by Mr. Adrian Griffin, who is an employee of the Company and is a Member of the Australasian Institute of Mining and Metallurgy and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which is being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr. Griffin has given consent to the inclusion in the report of the matters based on this information in the form and context in which it appears.