

18 October 2016

ASX ANNOUNCEMENT

COMPLETION OF THE TRANSFER OF LITHIUM RIGHTS FROM LEFROY EXPLORATION LTD (ASX: LEX)

HIGHLIGHTS

- Multi-commodity deal gives LIT access to most of the prospective Lake Johnston lithium pegmatite field, located in Western Australia
- LIT has issued 9 million shares to Lefroy Exploration Ltd for lithium rights
- LEX has issued 3 million shares to LIT for gold and nickel rights
- LEX to re-list this Wednesday in a highly anticipated debut

Lithium Australia NL (ASX: LIT) continues the strategic consolidation of lithium interests in the Lake Johnston area. The Lake Johnston pegmatite field, which is proximal to Poseidon Minerals Ltd's (ASX: POS) Maggie Hays and Lake Johnston operations, is located 440 km east of Perth, Western Australia (Figure 1) and serviced by supporting infrastructure.

LIT's transaction with Lefroy Exploration Limited (ASX:LEX) provides LIT with access to most of the Lake Johnston lithium pegmatite field, in that all lithium rights in the following areas will be ceded to LIT (see Figure 1).

- E63/1722 - LEX granted exploration licence
- E63/1723 - LEX granted exploration licence

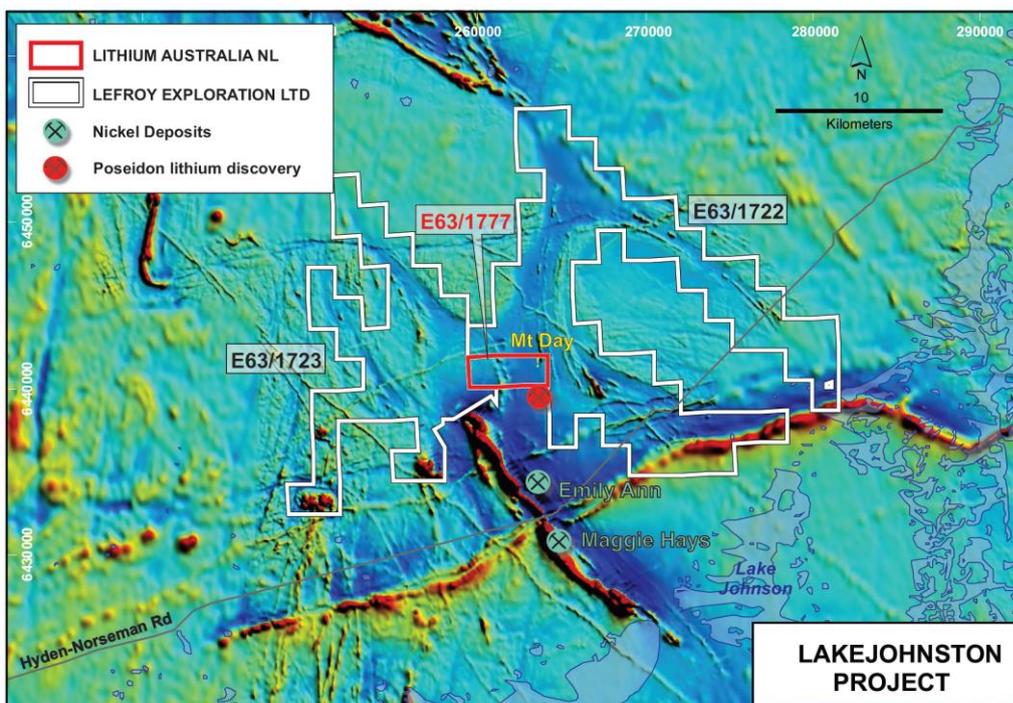


Figure 4: Consolidated project area comprising amalgamated lithium rights that benefit LIT. Brittle rocks, conducive to pegmatite intrusion, are represented by the darker blue hues in this magnetic image. The source magmas are probably preserved in the paler blue, ovoid structures.

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The amalgamation of lithium rights adds significantly to the potential of LIT's lithium pegmatite occurrences located on Exploration Licence E63/1777 where pegmatites with abundant lepidolite cross tenement boundaries into E63/1722 and 1723. These occurrences are in close proximity to lithium mineralization reported by Poseidon Nickel Limited, (ASX: POS) (Refer to the POS release dated 12 October 2016).

LIT and LEX are in the process of finalising exploration access arrangements. Once the mutual access agreements are complete, LIT will commence field work to investigate the trends established by POS on the common boundary.

Lithium Australia's CEO, Adrian Griffin commented: *"The significance of past sampling in the areas presents a compelling case for a regional consolidation of lithium rights. We will have worked closely with LEX in the first steps towards achieving this and we wish LEX well for its re-listing tomorrow."*

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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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