Lithium Australia NL

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31 December 2015

ASX Compliance Pty Ltd
Level 40, Central Park
152-158 St Georges Terrace

Attention: Mr Ben Secrett
By email: tradinghaltsperth@asx.com.au

Dear Ben,

Lithium Australia NL (LIT or Entity) ASX AWARE LETTER

Reference is made to your letter dated 24 December 2015 (ASX Aware Letter). Listed below are the answers to the questions posed. Defined terms in the answer correspond with those defined terms in the ASX Aware Letter.

1. Does the Entity consider the information disclosed in the Appointment Announcement to be information that a reasonable person would expect to have a material effect on the price or value of its securities?

   Answer: No

2. If the answer to question 1 is "no", please advise the basis for that view.

   Answer: LIT is of the view that the Appointment Announcement is **generally not** information that a reasonable person would expect to have a material effect on the price or value of its securities as it updates the market as to its previously disclosed strategy in regard to the LIT / AliX non-binding agreement for the Electra Project. This strategy is already well known to the market by LIT's previous releases and periodic reporting.

   As advised on 11 November 2015 LIT and TSX:V (AIX) listed company Alix Resources Corp (A**li**x) executed a non-binding memorandum of understanding (MOU) to jointly develop lithium extraction technologies applicable to advancing A**li**x's lithium concessions (the Electra Project) covering 22,625 hectares in Sonora, Mexico. The Electra Project contains interpreted strike extensions of the Sonora Project, operated by Bacanora Minerals Ltd (TSXV:BCN,LSE:BCN) and joint venture partner Rare Earth Minerals Plc (LSE:REM). BCN made headlines when it was announced that a conditional agreement was signed to supply lithium to Tesla. The deal marked the first much-anticipated raw materials supply agreement for the electric vehicle manufacturer.

   LIT considers the appointment of a consultant is still at a preliminary stage of the implementation of the strategy. It considers that it is still too early to know if the appointment will enable the Company to have a significant role to play in supplying Tesla's Gigafactory in Nevada (USA).

3. If the answer to question 1 is "yes", when did the Entity first become aware of the information disclosed in the Appointment Announcement?

Answer: Not applicable

4. If the answer to question 1 is "yes", and the Entity first become aware of the information disclosed in the Appointment Announcement before the Entity received the Price Query Letter, did the Entity make any announcement prior to the relevant date which disclosed the information?

   Answer: Not applicable

5. Does the Entity consider the information disclosed in the Hydroxide Update to be information that a reasonable person would expect to have a material effect on the price or value of its securities?

   Answer: Yes

6. If the answer to question 5 is "no", please advise the basis for that view.

   Answer: Not applicable

7. If the answer to question 5 is "yes", when did the Entity first become aware of the information disclosed in the Hydroxide Update?

   Answer: LIT first became aware of the uninterpreted results forming the basis of the Hydroxide Update late evening on 21 December 2015. The additional information announced on 24 December 2015 focuses on the quality of the Lithium Hydroxide Product. The information, as provided by the laboratory undertaking the work was incomplete at that time LIT first became aware, and remains incomplete at the date of this response. Further assays and interpretative analysis is required to determine a complete mass balance, and hence final recovery. It was therefore considered to be in the interests of a properly informed market to await such further results (anticipated in the second week of January 2016) and receive knowledge of the necessary interpretation and analysis of these results, before making any further announcement on the subject that could be considered final or definitive. LIT called a trading halt following a discussion with ASX on 23 December 2015.

   The subject of the discussion with ASX concerned possible reasons for the LIT price increasing from $0.099 on 18 December 2015 to an intra-day high of $0.165 on Wednesday 23 December 2015 as well as an increase in trading volume. This also prompted an internal review of work in progress, the anticipation of which may have been responsible for some of the LIT price movement.

   LIT considers that it fully disclosed all information in accordance with Listing Rule 3.1 at the time of the trading halt and relayed this fact to ASX. LIT still considers this to remain the position and emphasises that the intermediate results relating to the Hydroxide Update were only released during the trading halt after further analysis, that was ongoing, had been completed .

   The ability to produce a lithium hydroxide product directly from mica is a significant step and its achievement was announced on 11 December 2015. That ability creates the opportunity to tap into a premium product market by producing the highest value lithium intermediate chemical i.e. lithium hydroxide, as opposed to the lower-priced lithium carbonate or concentrate. LIT will provide further commentary when final and definitive results become known to it.

8. If the answer to question 5 is “yes”, and the Entity first become aware of the information disclosed in the Hydroxide Update before the Entity received the Price Query Letter, did the Entity make any announcement prior to the relevant date which disclosed the information? (a) If so, please provide details. (b) If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe the Entity was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps the Entity took to ensure that the information was released promptly and without delay.

   Answer: (a) Not applicable. However, please note that an announcement was made on 11 December 2015 that LIT had successfully produced lithium hydroxide which is a significant value add process and in present markets commands a premium of approximately 25% to Lithium Carbonate. Currently all other Australian lithium producers and developers are producing or intend to produce lithium concentrates which require significant upgrading overseas to produce either Lithium Carbonate or Hydroxide.

   Answer: (b) Further details were not released to the market at an earlier time as the partial uninterpreted results were received late Monday 21 December 2015, the implication of the results remained unascertained and therefore incomplete, were confidential and required technical interpretation and review. These results still remain incomplete and are not definitive at the date of this response. LIT intends to release further commentary when all assays and analysis have been received.

   Whilst the results are preliminary in nature, LIT’s Managing Director, Mr Adrian Griffin, understood the potential ramifications of these results and considered the materiality of such results if complete, particularly as they may relate to the Cinovec project, owned by European Metals Holdings (ASX:EMH) with which LIT has a non-binding Memorandum of Understanding. As such, it was determined to release what information was in LIT’s possession to enable the market to form its own assessment of the preliminary incomplete results and draw their own implications. We maintain that the market cannot yet determine an informed view especially as the results have only been performed on a batch process. Furthermore the results indicate it is possible to produce a high quality lithium hydroxide product from a mica feed source which was previously released to the market on 11 December 2015. Although this has only been done on a batch process, integrating the processing step into the technology being used by LIT is likely to produce a superior outcome, and higher recoveries than competitive processes being used to produce lithium hydroxide from the more conventional sources, being spodumene (hard rock) or hydroxide from lithium brines. The reason this is likely to be the case rests in the ***complete process circuit design*****,** which remains the subject of IP and confidentiality agreements.

   However it can be said that the processes developed to date are completely compatible and can be integrated on a continuous basis. It is this integration that provides some of the most significant processing advantages.

9. LIT hereby confirms that it is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.

Yours Sincerely
LITHIUM AUSTRALIA NL

Barry Woodhouse
COMPANY SECRETARY
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24 December 2015

Barry Woodhouse
Lithium Australia NL
Suite 3, 23 Belgravia Street
BELMONT WA 6104

By email

Dear Mr Woodhouse

LITHIUM AUSTRALIA NL ("ENTITY"): ASX AWARE LETTER

ASX Limited ("ASX") refers to the following.

1. The Entity's announcement entitled "Lithium Australia (ASX: LIT) Appoints KCA for Lithium Clay Metallurgical Scoping" released on the ASX Market Announcements Platform ("Platform") at 6.22am AWST on Thursday, 24 December 2015 (the "Appointment Announcement"), disclosing the appointment of Kappes Cassiday & Associates to commence scoping work on certain of the Entity's lithium clay deposits ("Scoping Appointment").

2. The price query letter issued to the Entity by ASX on Wednesday, 23 December 2015 ("Price Query Letter") and the Entity's response to the Price Query Letter that was released on the Platform at 6.23am AWST on Thursday, 24 December 2015 (the "Price Query Response") which stated that:

   2.1. the Entity is not aware of information concerning it that has not been announced to the market, which if known by some in the market, could explain the recent trading in its securities;

   2.2. the Entity does not see the Scoping Appointment "as material on its own"; and

   2.3. the Entity "will shortly provide an update for process development work applicable to the Cinovec Project."

3. The Entity's announcement entitled "Cost Effective Lithium Hydroxide from Mica" released on the Platform at 6.25am AWST on Thursday, 24 December 2015 (the "Hydroxide Update") which:

   3.1. discloses the results of laboratory testing of the lithium hydroxide production process from micas; and

   3.2. states, in respect of the Cinovec Project, that "the ability to produce the value added hydroxide product, have the potential to double the lithium revenue from that project."

4. Listing Rule 3.1, which requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities.

5. The definition of "aware" in Chapter 19 of the Listing Rules. This definition states that:

> "*an entity becomes aware of information if, and as soon as, an officer of the entity (or, in the case of a trust, an officer of the responsible entity) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as an officer of that entity.*"

Additionally, you should refer to section 4.4 in Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B "When does an entity become aware of information"*.

6. Listing Rule 3.1A, which sets out exceptions from the requirement to make immediate disclosure, provided that each of the following are satisfied.

> *"3.1A Listing rule 3.1 does not apply to particular information while each of the following requirements is satisfied in relation to the information:*
>
> *3.1A.1 One or more of the following applies:*
>
> - *It would be a breach of a law to disclose the information;*
> - *The information concerns an incomplete proposal or negotiation;*
> - *The information comprises matters of supposition or is insufficiently definite to warrant disclosure;*
> - *The information is generated for the internal management purposes of the entity; or*
> - *The information is a trade secret; and*
>
> *3.1A.2 The information is confidential and ASX has not formed the view that the information has ceased to be confidential; and*
>
> *3.1A.3 A reasonable person would not expect the information to be disclosed."*

7. ASX's policy position on the concept of *"confidentiality"* which is detailed in section 5.8 of Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B "Listing Rule 3.1A.2 – the requirement for information to be confidential"*. In particular, the Guidance Note states that:

> *"Whether information has the quality of being confidential is a question of fact, not one of the intention or desire of the listed entity. Accordingly, even though an entity may consider information to be confidential and its disclosure to be a breach of confidence, if it is in fact disclosed by those who know it, then it ceases to be confidential information for the purposes of this rule."*

Having regard to the above, we ask that you answer the following questions in a format suitable for release to the market in accordance with Listing Rule 18.7A:

1. Does the Entity consider the information disclosed in the Appointment Announcement to be information that a reasonable person would expect to have a material effect on the price or value of its securities?

2. If the answer to question 1 is "no", please advise the basis for that view.

3. If the answer to question 1 is "yes", when did the Entity first become aware of the information disclosed in the Appointment Announcement?

4. If the answer to question 1 is "yes" and the Entity first became aware of the information disclosed in the Appointment Announcement before the Entity received the Price Query Letter, did the Entity make any announcement prior to the relevant date which disclosed the information? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe the Entity was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps the Entity took to ensure that the information was released promptly and without delay.

5. Does the Entity consider the information disclosed in the Hydroxide Update to be information that a reasonable person would expect to have a material effect on the price or value of its securities?

6. If the answer to question 5 is "no", please advise the basis for that view.

7. If the answer to question 5 is "yes", when did the Entity first become aware of the information disclosed in the Hydroxide Update?

8. If the answer to question 5 is "yes" and the Entity first became aware of the information disclosed in the Hydroxide Update before the Entity received the Price Query Letter, did the Entity make any announcement prior to the relevant date which disclosed the information? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe the Entity was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps the Entity took to ensure that the information was released promptly and without delay.

9. Please confirm that the Entity is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.

When and where to send your response

This request is made under, and in accordance with, Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, **by not later than noon AWST on Thursday, 31 December 2015**. If we do not have your response by then, ASX will have no choice but to consider suspending trading in the Entity's securities under Listing Rule 17.3.

You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, the Entity's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail at **tradinghaltsperth@asx.com.au**. It should **not** be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rule 3.1

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. Exceptions to this requirement are set out in Listing Rule 3.1A.

The obligation of the Entity to disclose information under Listing Rules 3.1 and 3.1A is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

In responding to this letter, you should have regard to the Entity's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in the Entity's securities under Listing Rule 17.1.

If you wish a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We may require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

Please contact me if you have any queries or concerns about the above.

Yours sincerely

[sent electronically without signature]

Ben Secrett
Senior Adviser, ASX Listings Compliance