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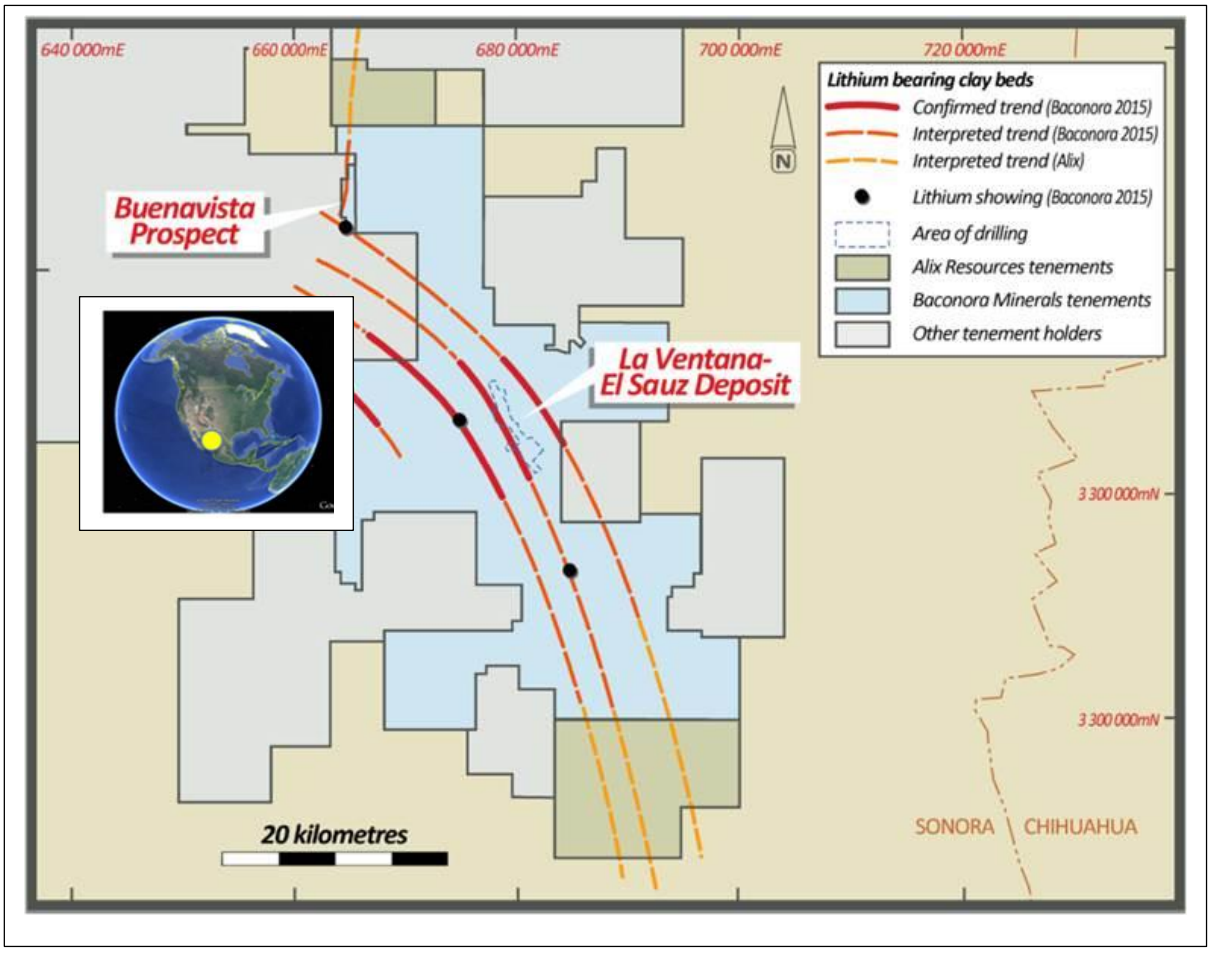
ASX ANNOUNCEMENT

UPDATE FOR ELECTRA PROJECT

Global lithium developer, Lithium Australia NL (ASX: LIT or **Company**) advises an update for the Electra Project. LIT advised on 11 November 2015 that the Company and TSX:V (AIX) listed company Alix Resources Corp (A**li**x) had executed a 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 concessions held by A**li**X contain interpreted strike extensions of the Sonora Project, operated by Bacanora Minerals Ltd and Rare Earth Minerals Plc.



A**li**X has advised that it has collected samples which contain lithium. These samples will be dispatched to the laboratories of Kappes Cassiday and Associates for metallurgical evaluation. That evaluation will be supervised by Lithium Australia under the terms of the agreement announced on 11 November 2015.

Initial testing will focus on:

- characterizing the mineralogy of the clays;
- identifying the lithium bearing phases; and
- determining potential methods of beneficiating the material.

The evaluation will be extended to the testing of low-energy lithium recovery tests if warranted.

LIT and A**li**x share the view that a combination of low-grade material and the application of energy intensive processing systems have historically hindered lithium clay deposits from being commercialized. LIT has experience in processing similar materials successfully implementing low energy alternatives to extract lithium from micas and has been successful in producing lithium carbonate from unconventional silicate feed material. It is thought that some of the materials previously tested by LIT may have similar mineral chemistry to some components of the mineralization at the Sonora Lithium Project which adjoins the Electra Project in Mexico.

LIT and A**li**x entered into the MOU to explore and collectively engage in potential joint business opportunities in the areas of:

(a) the exploration of lithium from A**li**x's mineral concessions located in Sonora, Mexico;
(b) developing superior means of recovering lithium from these, and similar lithium clay deposits; and
(c) commercialization of environmentally friendly mineral extraction and processing technologies for lithium brine.

LIT and A**li**x will pursue entering into a definitive joint venture agreement within three months from the date of execution on the MOU.

Indicative Commercial Terms
A**li**x will carry out initial geological assessment of geological samples of clays including hectorites (the "**Samples**") and deliver them to LIT or to a metallurgical laboratory nominated by LIT.

LIT will conduct the necessary activities to produce a report summarising the work completed and the potential business opportunity. If the report demonstrates business potential, LIT will then produce a commercial development proposal that summarises a high level road map for the exploitation of lithium, potassium and other metals from the Samples.

LIT will carry out bench scale laboratory testing and full chemical analysis of the Samples, and share all results with Alix. If warranted, LIT shall carry out small scale pilot testing and provide a detailed financial and metallurgical report to A**li**x. LIT shall investigate and develop solutions using the Samples. All of the work to be carried out by LIT above are collectively the "**LIT's Works**".

The rights and obligations of LIT and A**li**x with respect to the Concessions and the Intellectual Property thereafter shall be set out in the Definitive Agreement. Percentage interests and milestones may be modified as mutually agreed. The arrangement will be subject to mutual due diligence investigations and any required regulatory approvals.

On 23 December LIT advised that it had appointed Nevada based lithium specialist Kappes Cassiday & Associates (KCA) to commence scoping work on lithium clay deposits including the Electra Project and deposits in north-west of Western Australia.

Kappes, Cassiday & Associates specializes in the development, engineering and implementation of extractive metallurgical processes for the mining industry. Although KCA has become well known for expertise in gold/silver heap leaching, KCA staff of over 70 people includes more than 20 process engineers and 25 laboratory personnel who have a broad range of practical experience. This includes experience in acid leaching and recovery, flotation and gravity concentration, and development of complex hydrometallurgical flow sheets. KCA has particular expertise in the handling of lithium bearing clays and has maintained sustained laboratory and engineering programs with the goal of developing processing flowsheets designed to produce battery grade lithium products.

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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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