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ASX ANNOUNCEMENT

Lithium Australia and Alix Resources consolidate their alliance in Sonora, Mexico - the world's largest lithium clay province.

Highlights

- Canadian and Australian exploration expertise combined to form powerful Joint Venture
- Premium project address locates the JV on the doorstep of highly prospective areas
- Concession applications cover the interpreted strike extensions of the Bacanora/REM controlled Sonora lithium bearing clay deposits
- Ability for LIT to earn up to 65% as the project advances

Summary

Lithium Australia NL (ASX:LIT) is to join forces with TSX listed Alix Resources (TSX: AIX) having entered into a binding joint venture to explore and develop the projected extensions of the giant Sonora lithium clay deposit located in Mexico (Figure 1) - the Electra Project.

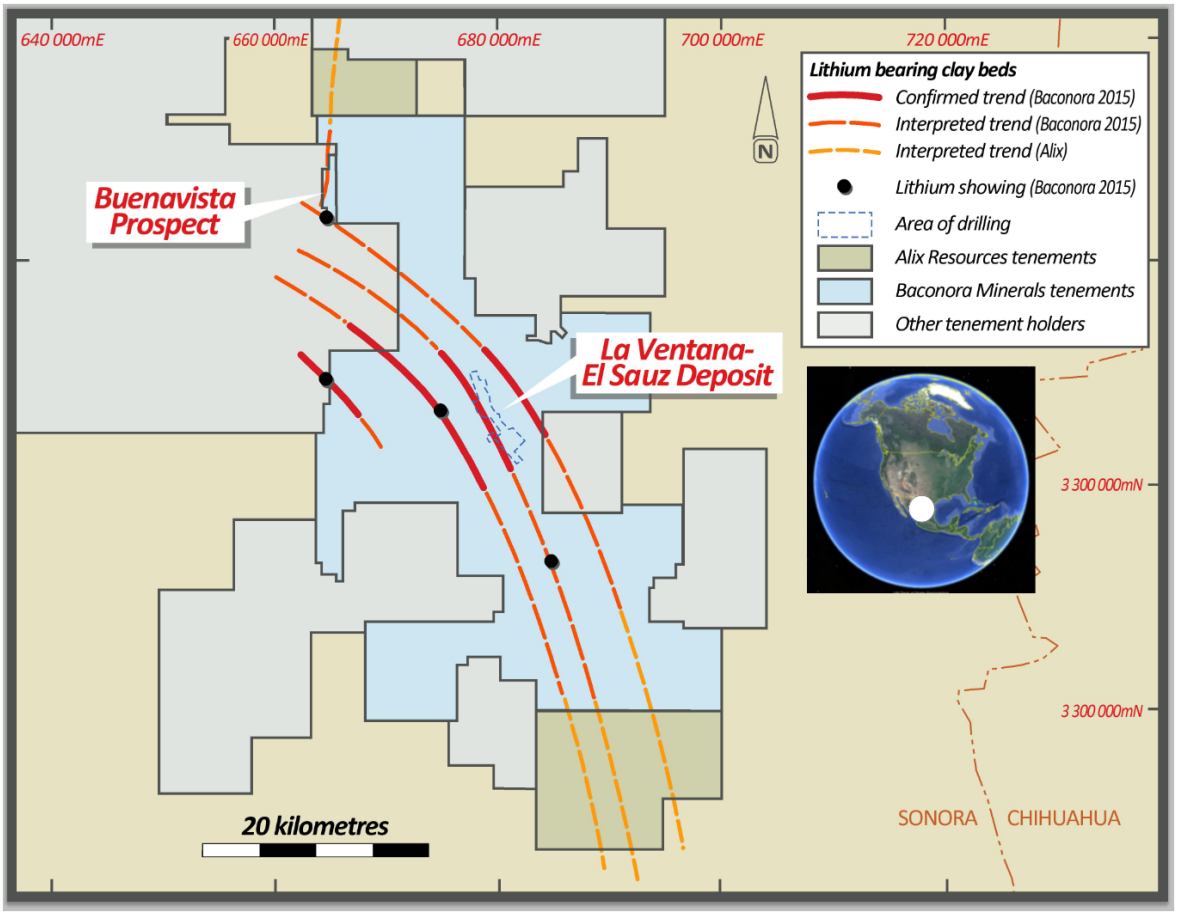
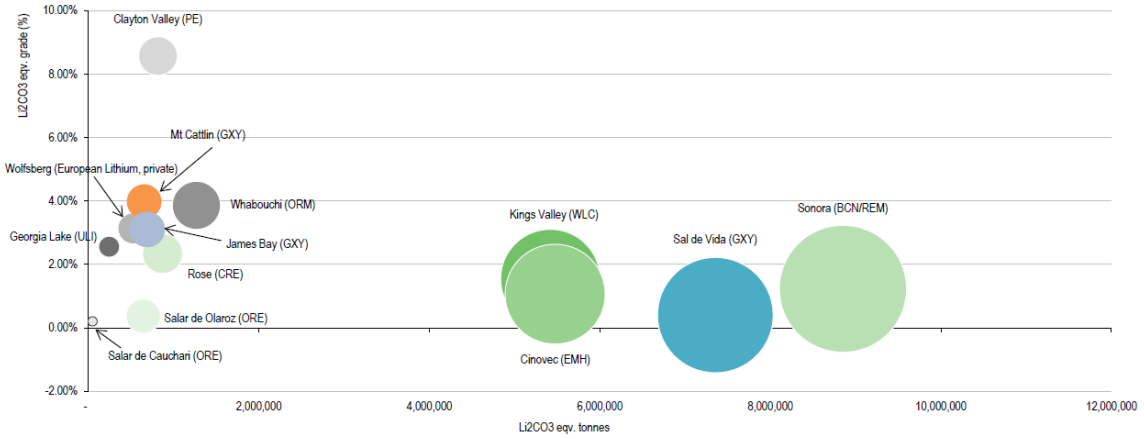


Figure 1 showing the location of the giant Sonora deposit controlled by Baconora/REM and interpreted strike extensions subject of the Joint venture between LIT and Alix.

Recent analysis of global lithium deposits by Edison Investment Research (published 15 January, 2016) included Exhibit 2 (below) shows the importance of the region to future world lithium production.

Exhibit 2: Lithium projects by resource size (given by area of circle) and grade, all presented in LCE terms



Source: Edison Investment Research

Data used to generate Exhibit 2 includes Indicated, Inferred and Measured resources, but excludes the Greenbushes pegmatite deposit, the world's largest lithium producer. It also excludes the recent resource upgrade of Pilbara Minerals Limited (PLS ASX announcement 1 February 2016).

The dominance of clay and mica deposits amongst the "giants" may point to the future of the lithium industry, which is where the joint efforts of LIT and Alix will concentrate their exploration efforts. The terms of the Joint Venture are summarized in Schedule 1 below.

<u>The thrust into one of the great lithium provinces</u>

LIT and Alix acknowledge the challenge of bringing the low-grade giants into production and believe the key to commercialization lies in:

- Low energy process flowsheets; and
- Potential to beneficiate the ore.

LIT has been successful in demonstrating such achievements on the giant Cinovec deposit (ASX announcement 15 December 2014) in which LIT has a non-binding Memorandum of Understanding with project owner European Metals Holdings Limited (ASX:EMH).

<u>LIT exposure to the major lithium provinces</u>

LIT has established a presence in the greisen deposits of Europe through its relationship with European Metals Holdings Ltd (EMH ASX announcement 15 December 2014) and around Greenbushes in Western Australia, the pinnacle of hard rock producers (LIT ASX announcements 6 January 2016 and 12 October 2015). LIT is working in conjunction with Pilbara Minerals Limited (ASX: PLS) in the Pligangoora "lithium hotspot" (LIT ASX announcement 2 February 2016) and has now teamed up with Alix to expand into North America.

LIT and ALix will harness the expertise of both companies and their strategic partners to advance the Electra Project. Kappes Cassiday and Associates (Nevada) will provide valuable processing expertise. In-field lithium assaying capability will be provided by SciAps (Boston-based instrumentation company specializing in portable analytical instruments). Alix offers an integrated exploration team, complete with seasoned professionals fluent in Spanish and English, covering legal, logistics and tenure activities, from offices based in Vancouver, Canada and Hermosillo, Mexico**.** It is anticipated that field crews will return to the properties shortly to commence an exploration program designed and approved by the management of both LIT and ALiX. The location of the Electra project in Northern Sonora allows for year round access and field activities.

Disruptive technology – the key to innovation

The lithium clay deposits present a significant challenge and the application of the best available technology will be key to commercializing these occurrences. The application of advanced exploration techniques will accelerate resource assessment.

Adoption of mineral separation technology from other industries may allow the production of a beneficiated product, to reduce capital and operating costs.

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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COMPETENT PERSONS STATEMENT

Competent Persons Statement:

The information contained in the report that relates to Exploration Results of projects owned by Lithium Australia NL and 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 2004 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 his information in the form and context in which it appears.

Schedule 1

BINDING FARM IN TERMS	
Earn in	Phase 1 – LIT may earn a 25% interest in the Project by; • The issue of 500,000 Fully paid ordinary LIT shares to Alix (following LIT shareholder approval due to no placement capacity, EGM to be held within 60 days of this term sheet) • The issue of 500,000 Partly paid LIT contributing shares paid to A$0.0001 each (A$0.2499 unpaid) to Alix (following LIT shareholder approval due to no placement capacity, EGM to be held within 60 days of this term sheet) • Expenditure of A$150,000, spent entirely on phase one work. Alix to be the operator • LIT to subscribe for CAD$100,000 private placement in Alix Resources at CAD$0.05 per share and a 1 for 1 attaching CAD$0.075 one year warrant. Phase 2 – LIT may earn a 49% interest in the Project by; • The issue of 500,000 Fully paid ordinary LIT shares to Alix • The issue of 500,000 Partly paid LIT contributing shares paid to A$0.0001 each (A$0.2499 unpaid) to Alix • Expenditure of a further A$250,000 within 12 months of signing. Alix – LIT combined board to agree on scope of work, LIT to have deciding vote. Phase 3 – LIT may earn a 65% interest in the Project by; • The issue of 1,500,000 Fully paid ordinary LIT shares to Alix • Expenditure of a further A$1,100,000 within 24 months of signing. Alix – LIT to manage all work program facets. • Cash Payment of A$250,000