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Dear fellow shareholder,

It is timely to update all Lithium Australia NL (**LIT** or **Company)** shareholders on a range of matters emerging as a result of recent successful fund raising initiatives, project advances and future funding requirements for our lithium carbonate production aspirations.

Pleasingly, these initiatives have been structured in a way that directly rewards participating shareholders while also now creating for the first substantive time in the Company's history, the opportunity for some shareholders to possibly qualify for consideration as "Sophisticated Investors" under what the Corporations Act describes as "Section 708" investors. More on that shortly – but let's look at some recent outcomes and objectives.

End-of-year target for commitment on large pilot plant

LIT's current strategic time-line is outlined on Page 4 of our Cleantech presentation as released on 10 May 2016 and available on the Company's web-site. (Go to www.lithium-au.com then Investor Centre then Announcements). The Company is de-risking the path to commercial production. LIT currently anticipates committing to the construction of a large pilot plant for lithium carbonate production by December 2016. LIT's anticipated commitment includes planning for probable output of 1,000 – 2,000 tonnes per annum of lithium carbonate equivalent for this phase of the de-risking path.

Bonus issue success

Your Company recently completed its Bonus Issue of partly paid $0.25 shares, and you should be now in receipt of the appropriate statement. Please contact Lithium Australia's Perth office if you have any further questions in regard to these partly paid shares.

LIT, as a **No Liability company**, has proven with its previous bonus issue of $0.05 partly paid shares (currently LITCC (listed), paid to $0.021 and unpaid $0.029), that this equity financing structure has benefitted both the Company and its partly paid shareholders. LIT undertook this latest bonus issue of $0.25 partly paid shares (currently LITAQ (unlisted), paid to $0.0001 and unpaid to $0.2499), as a reward to our shareholders, as well as to provide the Company with an alternate source of funding into the future.

Based on the number of partly paid shares currently issued, this structuring provides access to an additional funding of approximately $33.5 million at some point in the future - if it is required.

Future funding options

In assessing various funding options, there are a number of alternatives to consider and choices to be made. LIT may:

- Invite shareholders to fully pay on the LITAQ partly paid shares
- Seek institutional involvement and/or
- **Seek the support of current shareholders through the issue of new securities.**

The latter can be achieved through a Shareholder Purchase Plan; or another method is to establish a register of complying and interested shareholders considered by the *Corporations Act 2001 (Cth)* to be "Sophisticated Investors" under section 708 of that Act.

These provisions allow for securities to be issued to such investors promptly and cost effectively without the usually required level of disclosure under the Act.

This method requires a high degree of shareholder engagement as compliance requires appropriate documentation completed by a qualified accountant.

Becoming a LIT Sophisticated Investor

If becoming a LIT Sophisticated Investor has some appeal, the following eligibility applies:

1. You must own net assets in excess of $2.5 million, or
2. Your gross income must be in excess of $250,000 per financial year for the past 2 years.

If you can also satisfy one of the above criteria at any relevant time in the future, you may also then qualify for Lithium Australia's Sophisticated Investor register. If you cannot satisfy any of these criteria, then you do not qualify as a Sophisticated Investor under the definitions of the *Corporations Act 2001 (Cth)* and no further action is required**.**

However, if you do and wish to pursue the matter, please go to www.lithium-au.com/section708, respond to the disclaimer, follow the prompts and then lodge the appropriately signed document with LIT.

The opportunity may be made available to all qualified LIT shareholders.

Please contact Barry Woodhouse of our Perth office on 0438 674 259 or 08 6145 0288 if you have any queries.

Yours Sincerely
LITHIUM AUSTRALIA NL

Adrian Griffin
MANAGING DIRECTOR