ASX ANNOUNCEMENT 29 July 2016

COMPANY DETAILS

LITHIUM AUSTRALIA NL
ABN: 29 126 129 413
ASX CODE: LIT & LITCD

PRINCIPAL AND REGISTERED OFFICE
Level 1
675 Murray Street
West Perth WA 6104

P +61 8 6145 0288
F +61 8 9475 0847

POSTAL ADDRESS
PO Box 1088
West Perth WA 6872

CORPORATE INFORMATION
(29 July 2016)
233M Ordinary Shares
0.02M Listed Partly Paid Shares
133M Unlisted Partly Paid Shares
21M Unlisted Options
11M Performance Rights

BOARD OF DIRECTORS
George Bauk
(Non-Executive Chairman)
Adrian Griffin
(Managing Director)
Bryan Dixon
(Non-Executive Director)

For further information contact:

Lithium Australia NL
Adrian Griffin (MD)

Tel: +61 (08) 6145 0288
Email: info@lithium-au.com
Web: www.lithium-au.com

LITHIUM AUSTRALIA REPORT FOR JUNE 16
TRANSFORMING THE LITHIUM SUPPLY CHAIN

Report for the quarter ending
30 JUNE 2016

HIGHLIGHTS

- LIT unveiled the 100% owned Sileach™ lithium extraction process
- LIT and Pilbara Minerals Ltd (ASX: PLS) to jointly progress the Sileach™ technology for potential future production of low-cost lithium carbonate in currently proposed WA processing hub
- LIT and ANSTO Minerals continue pilot plant preparation
- LIT advised an update of the Electra Joint Venture in Sonora Mexico with Alix Resources Inc (TSVX: AIX) including earning its first 25% interest
- LIT doubled its Greenbushes (WA) footprint and commenced exploration there - the world's most productive hard-rock lithium province
- LIT consolidated its position with Cazaly Resources Ltd (ASX: CAZ) through the Goldfields Lithium Alliance (GLiA)
- LIT shareholders to benefit from WA Graphite Project divestment
- Establishment of the section 708 register (which is still open)
- Further promising exploration results continue and initial permitting approval for Ravensthorpe (WA) drilling program
- LIT and US Masters Holdings Ltd (ASX: USH) complete strategic consolidation of Lake Johnston lithium pegmatite field

SUBSEQUENT EVENTS

- LIT expands its strategic lithium holdings in WA's Gascoyne
- LIT in maiden move into Queensland as part of an enlarged Australia-wide lithium search

SUMMARY

Lithium Australia (ASX: LIT) has been successful in developing its own unique hydrometallurgical process, the Sileach™ process which allows lithium to be extracted from spodumene without roasting. This is seen by industry and end users as a significant breakthrough.

LIT continues to assess lithium projects worldwide and is actively reviewing opportunities in Africa, Europe, the Americas and Australia.

MEDIA CONTACT:

Adrian Griffin	**Lithium Australia NL**	**08 6145 0288 | 0418 927 658**
Kevin Skinner	**Field Public Relations**	**08 8234 9555 | 0414 822 631**

THE SILEACH™ PROCESS: A PROCESSING BREAKTHROUGH

LIT has successfully developed a unique hydrometallurgical process, the Sileach™ process, for the recovery of lithium from spodumene, currently the primary source of hard-rock lithium production. The Sileach™ process is also readily adaptable to other silicate minerals and has been developed to reduce the cost of producing lithium chemicals from materials that have traditionally been roasted to recover the lithium, with very high energy costs.

Independent laboratory tests of the Sileach™ process have achieved lithium extractions from alpha spodumene of up to 92% in 4 hours. The next stage of the commercialization process is currently in planning with the expected commencement of the pilot plant test currently anticipated to commence during August. Further information is contained in the ASX Release dated 30 June 2016.

Comment: Whilst the surge in lithium prices has attracted over 50 ASX listed companies in 2016, and provided increased investor appetite for junior mineral companies and an industry that has been in the doldrums, the lithium sector has sparked a revival.

Lithium Australia continues to differentiate itself in the Lithium space through developing the Sileach™ process technology to convert concentrate to carbonate or other customer specified lithium chemicals, target feedstock for the Sileach™ process which in the June quarter included the announcement of the Sileach Joint Venture with Pilbara Minerals and developing a strategic asset base to develop our own feedstock through acquisition, pegging and joint venture. Being a key player in the future of Lithium is not just about producing a concentrate, it is about delivering to the customer what they want which is a lithium chemical product at a low cost. Technology is the key to the success which we are developing through our Sileach technology.

THE OPPORTUNITY

The Sileach™ process has the potential to release the value of stranded lithium silicate deposits – those deposits quarantined by sub-economic grades.

The Sileach™ process has the ability to transform low-grade spodumene occurrences into viable ore as, due to lower projected operating costs, it is less sensitive to feed grade. This will result in lower cut-off grades for resource calculations, expansion of existing resources without the requirement for further drilling, and greater recovery of metal inventories.

As the lithium is precipitated from solution in the Sileach™ process, all impurities in lithium silicate feed can be rejected during the production of lithium chemicals. Spodumene, and other silicates, in which impurity concentrations would otherwise render them unmarketable, may now be considered viable process feed.

PROJECT SPECIFICS

THE PILBARA, WESTERN AUSTRALIA

Of significance in the June quarter is the agreement with PLS to jointly progress the Sileach™ technology for potential future production of low-cost lithium carbonate in the currently proposed WA processing hub. This may include low-grade spodumene, micas and clays, which in the past may have been sub economic. All of these materials can be processed with the Sileach™ process. For further details on this, please refer to the ASX Release dated 28 June 2016.

Comment: There are difficulties in obtaining spodumene supplies in Australia. LIT cannot stress highly enough the importance of obtaining a **reliable Australian** supply of good quality spodumene. Given the current developments between PLS and Mineral Resources Ltd (ASX: MIN) (see PLS releases dated 25 and 29 July 2016) other companies share this view. This situation vindicates the accelerated search for additional spodumene sources.

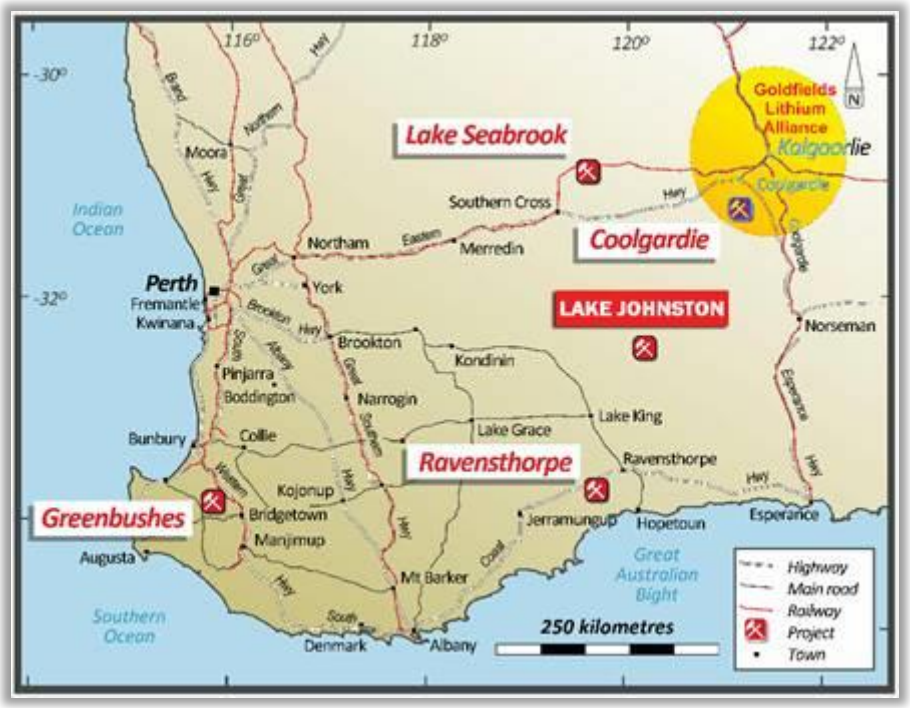


Figure 1 Lithium Australia's Yilgarn Block Projects

SEABROOK RARE METALS VENTURE (LIT 80%, Tungsten Mining (ASX: TGN) 20%)

No work was undertaken on the Seabrook Rare Metals Joint Venture during the June 2016 quarter.

GREENBUSHES - A premium address (LIT 80%)

In recent times, there has been significant interest rekindled in the Greenbushes, Western Australia, with many junior explorers attracted by the obvious exploration potential of the area which currently produces about 40% of the world's lithium from just one mining operation.

The Greenbushes pegmatite is probably not alone and the large number of pegmatites in the area provides significant scope for renewed exploration activities.

Despite being an active mining area since the 1880s, there remains great exploration potential in the region. Much of the prior exploration work was focused on tin and tantalum but today a new wave of exploration tools paves the way for applying advanced techniques to the exploration for lithium.

LIT commenced work with low-impact exploration. Immediate evaluation will include remote sensing, field mapping and real time lithium assays using laser-induced breakdown spectroscopy (LIBS) a real-time, field portable exploration technique that provides assay capability for light elements, including lithium.

Field reconnaissance commenced in April 2016 (ASX Release dated 27 April 2016) and LIT doubled its footprint in the area as advised via an ASX Release dated 6 July 2016.

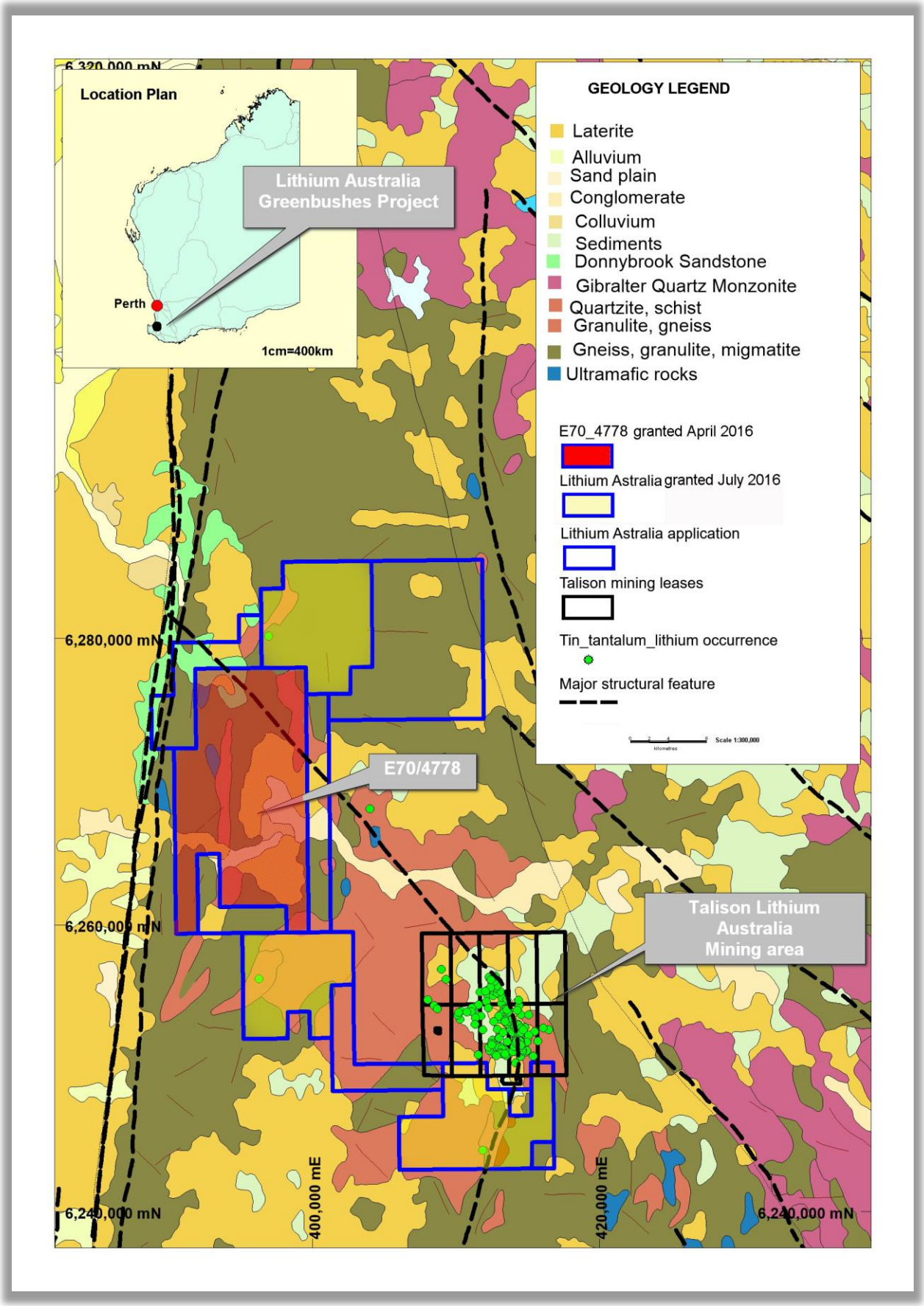


Figure 2. Location of LIT's granted exploration licence and further licence applications

RAVENSTHORPE (LIT 100%)

LIT holds exploration licence E74/0543 with an area of 70 km^2 and covering a 20 km long structural trend which is highly prospective for lithium pegmatites (Figure 3). The corridor extends southwest from the Mt Cattlin lithium and tantalum hard rock operations of Galaxy Resources Limited and General Mining which are currently being commissioned. The project is well supported by established transport routes, nearby infrastructure and services at Ravensthorpe. The large, deep water port of Esperance is 185 km east of Ravensthorpe.

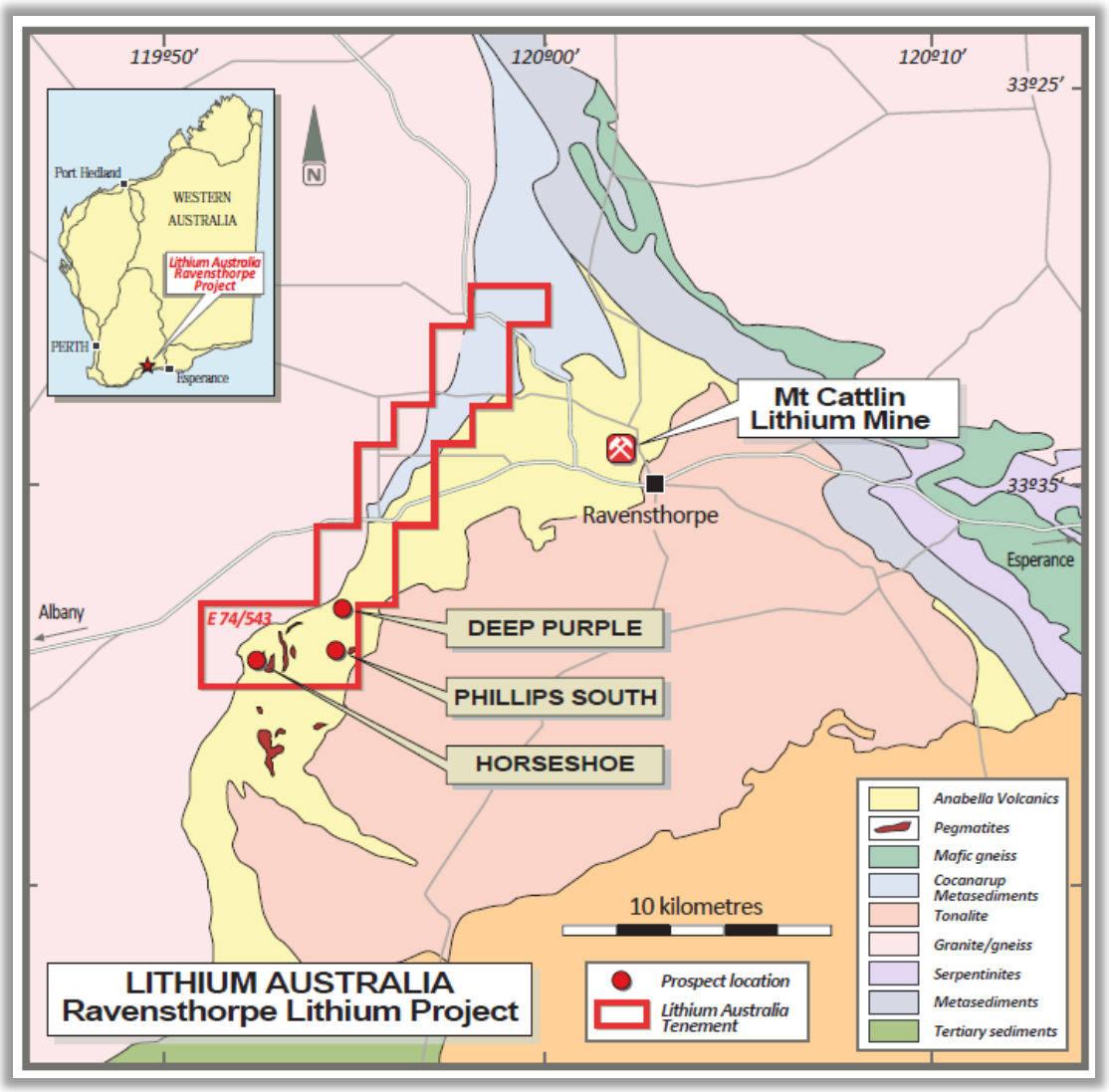


Figure 3: Ravensthorpe Lithium Project, including prospect locations

The southern extension of E74/0543 overlies the Cocanarup pegmatite field and contains three large outcropping pegmatite bodies. Field inspection has confirmed zinnwaldite and lepidolite (lithium "micas") outcropping over large areas. Work by previous operators focused on tantalum with disappointing results but historic mapping and sampling has provided LIT with confidence that mapped pegmatites have the potential to host large tonnages of lithium mineralisation. During the June 2016 quarter, LIT received permitting approval for its initial Ravensthorpe drilling program. Further information is contained in the ASX Release dated 1 June 2016.

Recent fieldwork at LIT's Ravensthorpe Lithium Project has resulted in the discovery of several additional lithium pegmatites. It is now established that there are at least 12 lithium pegmatites present giving the project significant economic potential.

LIT fieldwork led to definition of an exploration target* at the "Horseshoe prospect" of 900,000 tonnes of lithium mineralisation at a minimum grade of 1% Li_2O (with a size range from 525,00t to 1,281,000t and grade range of 0.8% - 1.2%). Significant mineralisation has also been identified at the Deep Purple Prospect to the north-east of the Horseshoe Project and at the Phillip South Prospect, due east of Horseshoe.

LAKE JOHNSTON LITHIUM PEGMATITE FIELD (US MASTERS LIMITED (ASX: USH) AND LIT)

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 USH 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 4).

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

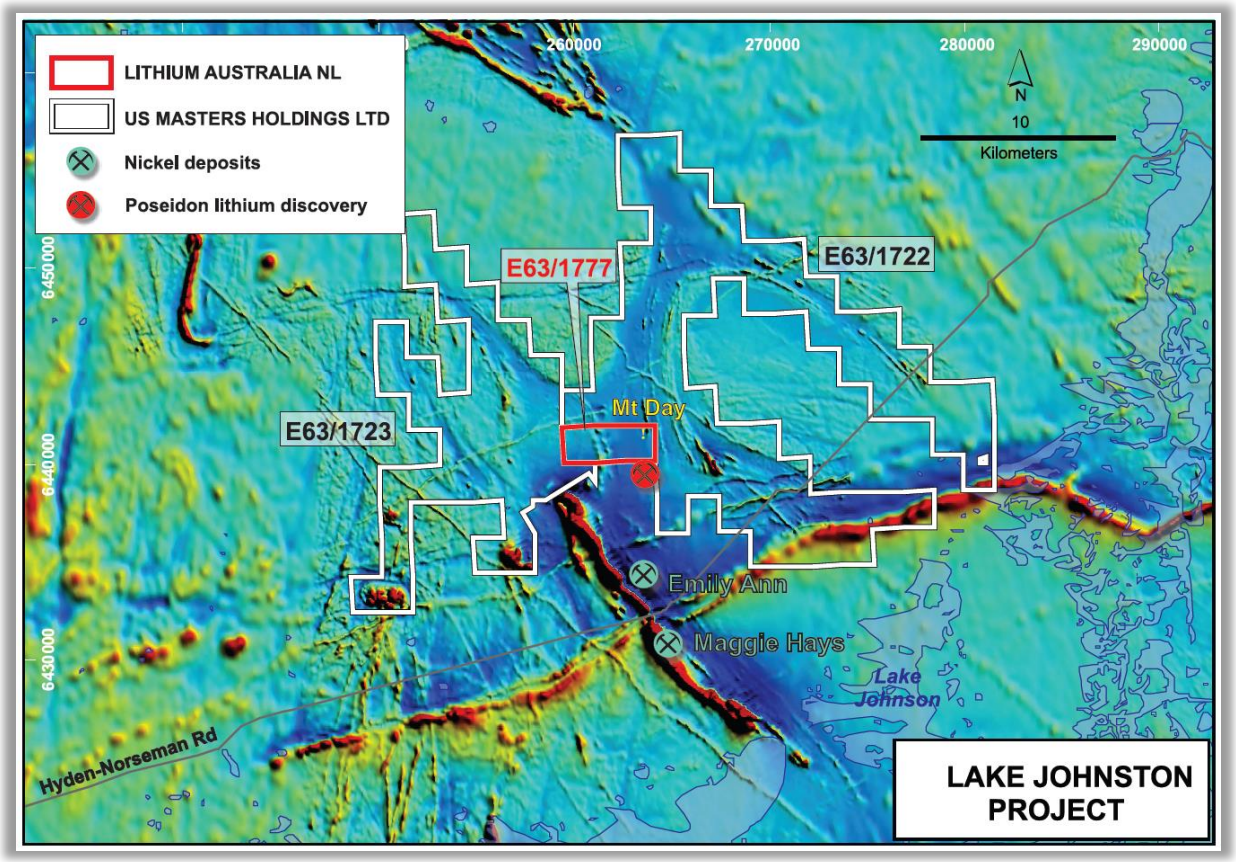


Figure 4: consolidated project area comprising amalgamated lithium rights that benefit LIT. Brittle rocks, conducive to pegmatite intrusion, are represented by the darker blue hues in this magnetic image. The source magmas are probably preserved in the paler blue, ovoid structures.

LIT's acquisition of lithium rights from USH, within granted tenure, provides LIT with immediate exploration opportunities in the area. Further information in relation to this transaction is contained in the ASX Release dated 20 June 2016.

Exploration Target: The potential quantities and grades are conceptual in nature and there has been insufficient exploration to-date to define a Mineral Resource. It is not certain that further exploration will result in the determination of a Mineral Resource under the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, the JORC Code" (JORC 2012). The Exploration Target is not being reported as part of any Mineral Resource or Ore Reserve.

BYNOE NORTHERN TERRITORY (LIT 100%) FIRST STAGE EXPLORATION

LIT has established a foothold in the highly prospective Bynoe Pegmatite Field (see Figure 5). The Bynoe Project is located 50 km south-southwest of Darwin, capital of the Northern Territory, close to infrastructure. Despite the favourable location, exploration in the area has to date been restricted and of narrow focus with little work undertaken on lithium.

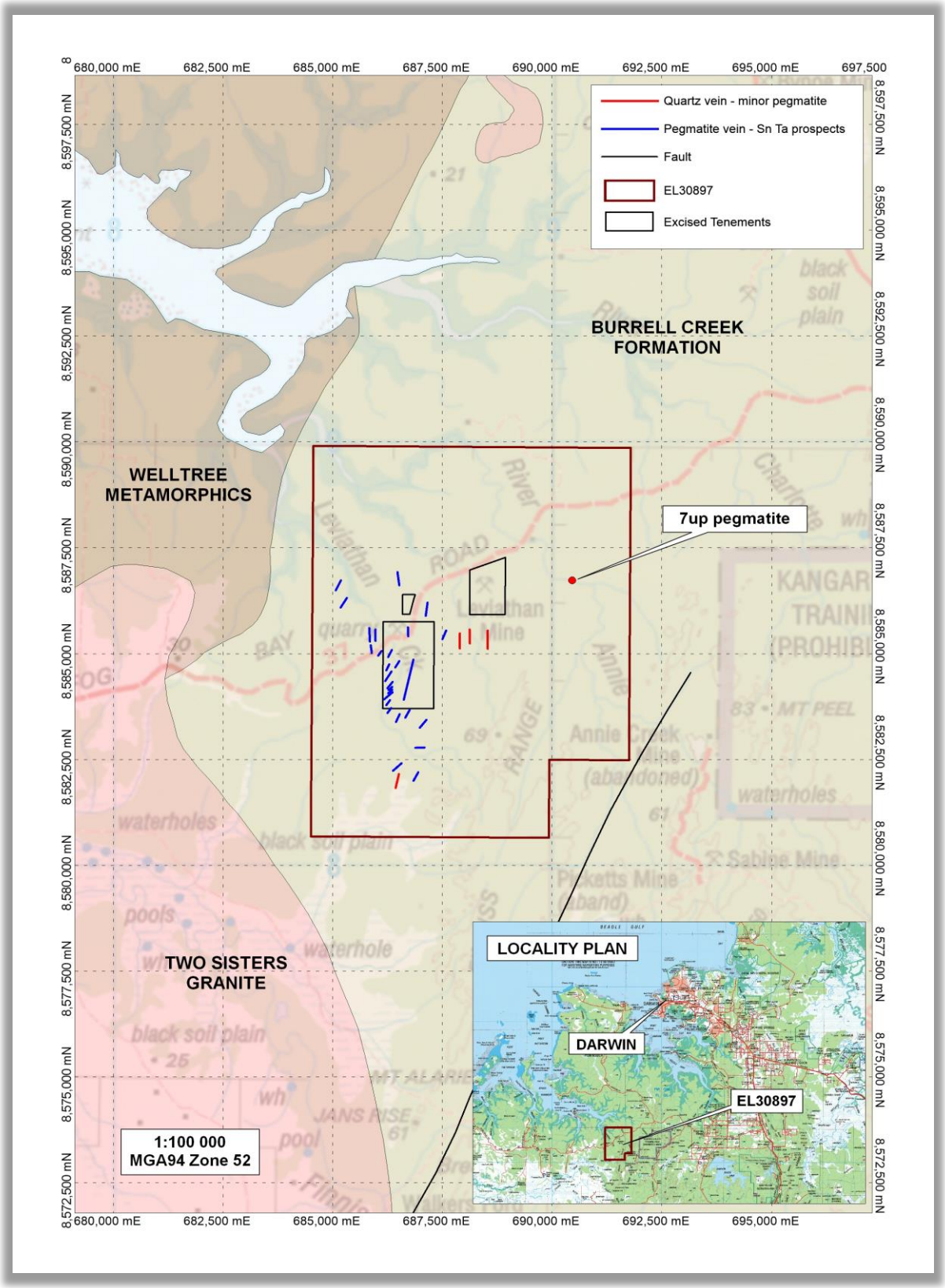


Figure 5: Location of LIT's Bynoe Lithium Project.

The Bynoe Project lies within the Bynoe Pegmatite Field, the latter being the main part of the larger Litchfield Pegmatite Belt. Located along the western margin of the Pine Creek Orogen – which is of Palaeoproterozoic age – the Litchfield Pegmatite Belt is almost 200 kilometres long and has been intruded by a suite of highly differentiated 'S-type' granites, believed to be the source of the pegmatites. Pegmatites abound (there are more than 100 in the Bynoe Pegmatite Field alone) and many have been exploited for their tin and tantalum mineralisation.

Mining within the Bynoe Pegmatite Field commenced in 1888, exploiting mainly surface deposits of tin created by the weathering and erosion of the pegmatites. Later, explorers focused on the tin and tantalum potential of those pegmatites (e.g. Greenex; Bourke, 2011). **However, only very recently has the possibility of significant lithium mineralisation been considered.**

ELECTRA JV (Sonora, Mexico) LIT 25%, AIX 75%

The Electra project is a farmin and JV in which LIT can earn up to 65% of the project from its partner, TSX Venture listed Alix Resources Corporation (TSX-V: AIX) (Alix). The Sileach™ process, together with other processes will be tested on this project when materials are available. LIT earned 25% during the June 2016 quarter. For further information on this and the results of the initial geological sampling, please refer to the ASX Releases dated 26 May 2016 and 1 July 2016.

ABOUT LITHIUM AUSTRALIA

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. LIT aspires to create the union between resources and the best available technology and to establish a global lithium processing business.

Competent Person Statement
The information in this report that relates to Exploration Results together with any related assessments and interpretations is based on information compiled by Mr Adrian Griffin, Managing Director of Lithium Australia NL. Mr Griffin is a Member of the Australasian Institute of Mining and Metallurgy and has sufficient experience relevant to the styles of mineralisation under consideration and to the activity being reported to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.

LISTING RULE 5.3.3 INFORMATION

LIT TENEMENTS	PROJECT	NOTES	DATE
P15/4952	COOLGARDIE	GRANTED	30/09/2008
P15/4953	COOLGARDIE	GRANTED	30/09/2008
P15/5519	COOLGARDIE	GRANTED	3/02/2011
P15/5574 S	COOLGARDIE	GRANTED	10/08/2011
P15/5575 S	COOLGARDIE	GRANTED	10/08/2011
P15/5625	COOLGARDIE	GRANTED	9/08/2013
P15/5626	COOLGARDIE	GRANTED	14/12/2011
P15/5629	COOLGARDIE	GRANTED	9/08/2013
P15/5739	COOLGARDIE	GRANTED	17/01/2013
P15/5740	COOLGARDIE	GRANTED	17/01/2013
P15/5741	COOLGARDIE	GRANTED	17/01/2013
P15/5742	COOLGARDIE	GRANTED	17/01/2013
P15/5743	COOLGARDIE	GRANTED	17/01/2013
P15/5749	COOLGARDIE	GRANTED	3/04/2013
E45/2232	PILGANGOORA	GRANTED	17/11/2005
E45/2241	PILGANGOORA	GRANTED	24/04/2002
M45/78	PILGANGOORA	GRANTED	28/11/1984
M45/333	PILGANGOORA	GRANTED	17/06/1988
M45/511	PILGANGOORA	GRANTED	11/09/1991
E74/0543	RAVENSTHORPE	GRANTED	24/01/2014
E70/4778	GREENBUSHES	GRANTED	19/04/2016
E70/4788	GREENBUSHES	GRANTED	01/07/2016
E70/4789	GREENBUSHES	GRANTED	01/07/2016
E70/4790	GREENBUSHES	GRANTED	01/07/2016
E77/1853	LAKE SEABROOK	GRANTED	22/09/2011
E77/1854	LAKE SEABROOK	GRANTED	22/09/2011
E77/1855	LAKE SEABROOK	GRANTED	22/09/2011
E77/2021	LAKE SEABROOK	GRANTED	26/06/2012
E77/2022	LAKE SEABROOK	GRANTED	26/06/2012
E77/2035	LAKE SEABROOK	GRANTED	5/09/2012
E77/2279	LAKE SEABROOK	GRANTED	27/07/2015
EL 30897	ANGERS	GRANTED	22/03/2016

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/2013

Name of entity

Lithium Australia NL

ABN

29 126 129 413

Quarter ended ("current quarter")

30 June 2016

Consolidated statement of cash flows

		Current quarter $A'000	Year to date (12 months) $A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration & evaluation	(326)	(675)
	(b) development	(374)	(638)
	(c) production	-	-
	(d) administration	(319)	(1,317)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	18	32
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid		
1.7	Other (provide details if material)		
	Net Operating Cash Flows	(1,001)	(2,598)
	Cash flows related to investing activities		
1.8	Payment for purchases of: (a) prospects	-	(100)
	(b) equity investments	(100)	(204)
	(c) other fixed assets	(2)	(31)
1.9	Proceeds from sale of: (a) prospects		
	(b) equity investments		
	(c) other fixed assets		
1.10	Loans to other entities		
1.11	Loans repaid by other entities		
1.12	Other (provide details if material)		
	Net investing cash flows	(102)	(335)
1.13	Total operating and investing cash flows (carried forward)	(1,103)	(2,933)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(1,103)	(2,933)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	2,984	8,119
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (Capital Raising Costs)	(26)	(281)
	Net financing cash flows	2,958	7,838
	Net increase (decrease) in cash held	1,855	4,905
1.20	Cash at beginning of quarter/year to date	3,902	852
1.21	Exchange rate adjustments to item 1.20		
1.22	**Cash at end of quarter** +	5,757	5,757

Payments to directors of the entity, associates of the directors, related entities of the entity and associates of the related entities

		Current quarter $A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	130
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Payments to directors and employees for services to the economic entity.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available $A'000	Amount used $A'000
3.1	Loan facilities	-	-
3.2	Credit standby arrangements	-	-

+ See chapter 19 for defined terms.

Estimated cash outflows for next quarter

		$A'000
4.1	Exploration and evaluation	200
4.2	Development (Metallurgical)	1,000
4.3	Production	-
4.4	Administration	300
	Total	**1,500**

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter $A'000	Previous quarter $A'000
5.1	Cash on hand and at bank	104	227
5.2	Deposits at call	5,653	3,675
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
	Total: cash at end of quarter (item 1.22)	**5,757**	**3,902**

Changes in interests in mining tenements and petroleum tenements

		Tenement reference and location	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed	NIL	N/A	N/A	N/A
6.2	Interests in mining tenements and petroleum tenements acquired or increased	E70/4788 E70/4789 E70/4790	Exploration Licence Exploration Licence Exploration Licence	 0 0	80% 80% 80%

+ See chapter 19 for defined terms.

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per ,security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	**Preference +securities** *(description)*				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	**+Ordinary securities** **Partly paid contributing shares**	231,573,560 (a) 133,199,018 26,676(b)	231,573,560 (a) - 26,676 (b)	Various $0.25 $0.05	Fully Paid $0.0001 $0.049
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs + *	(a) 22,696,544 (b) 11,611,053	(a) 22,696,544 (b) Nil	(a) Various (b) $0.029	(a) Various (b) N/A
7.5	**+Convertible debt securities** (*description)*				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	**Options** *(description and conversion factor)*	4,316,666 7,875,000 9,200,000 11,340,000	- - - (Performance Rights)	*Exercise price* $0.15 $0.20 $0.30 N/A	*Expiry date* 1 July 2019 1 July 2019 1 July 2019 N/A

+ See chapter 19 for defined terms.

7.8	Issued during quarter	-	-	-	-
7.9	Exercised during quarter	2,400,000 3,883,334 325,000 2,000,000	(Performance Rights)	$0.10 $0.15 $0.20 N/A	$0.10 $0.15 $0.20 N/A
7.10	Expired during quarter				
7.11	**Debentures** *(totals only)*				
7.12	**Unsecured notes** *(totals only)*				

Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).

2 This statement does give a true and fair view of the matters disclosed.

Sign here: "Barry Woodhouse" Date: 30 July 2016
Company secretary

Print name: Barry Woodhouse .....

Notes

1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements and petroleum tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement or petroleum tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.

5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

== == == == ==

+ See chapter 19 for defined terms.