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ASX ANNOUNCEMENT

Lithium Australia NL (ASX: LIT) and US Masters Holdings (ASX: USH) complete strategic consolidation of Lake Johnston lithium pegmatite field

HIGHLIGHTS

- LIT adopts prime position in new pegmatite discoveries
- LIT to hold lithium rights over three licences that dominate coverage of the Lake Johnston lithium pegmatite field
- USH to hold the gold and nickel rights
- Extensive area of outcropping lithium pegmatites
- Recent high-grade lithium results reported by Poseidon Nickel (ASX:POS) on common licence boundary

BACKGROUND

The Lake Johnston pegmatite field, which is proximal to POS's Maggie Hays and Lake Johnston operations, is located 440 km east of Perth, Western Australia (Figure 1) and serviced by supporting infrastructure.



Figure 1: location of the Lake Johnston project relative to other LIT lithium projects within Western Australia's Yilgarn Craton.

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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 are ceded to LIT (see Figure 2).

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

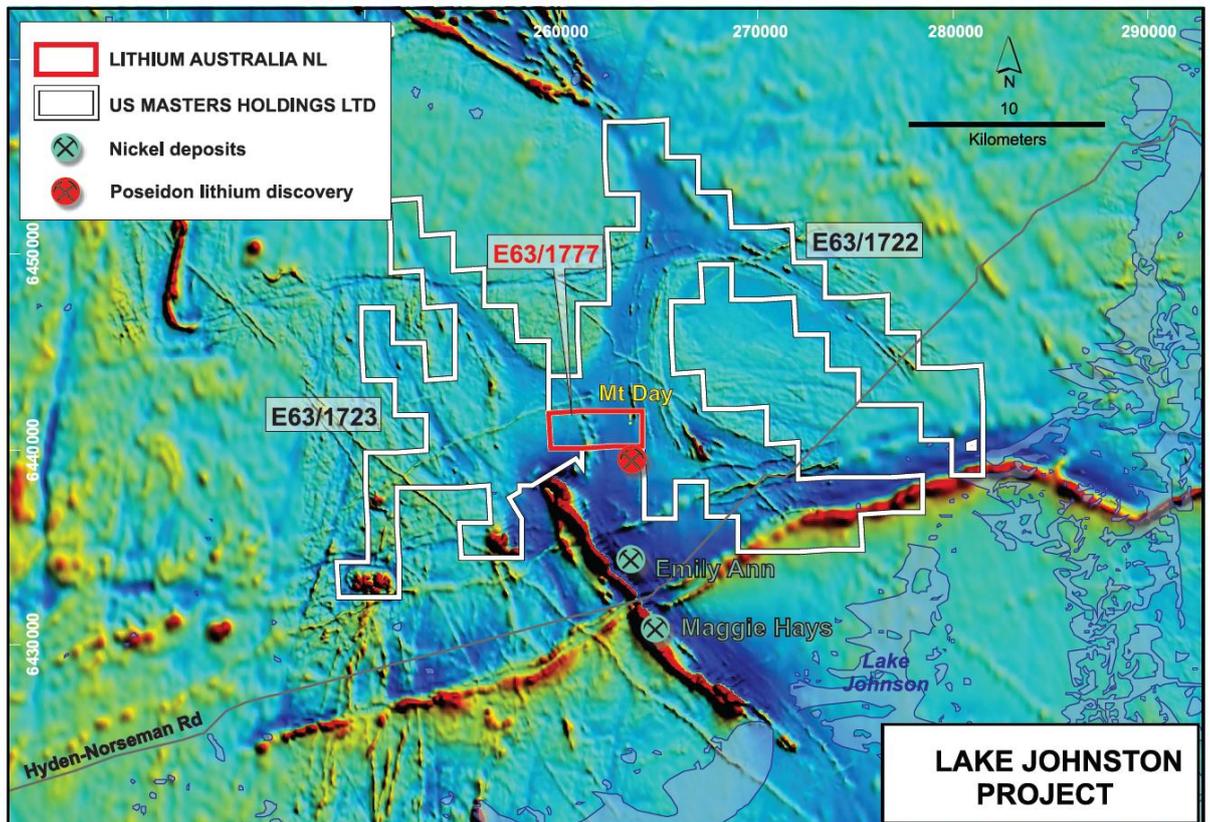


Figure 2: consolidated project area comprising amalgamated lithium rights that benefit LIT. Brittle rocks, conducive to pegmatite intrusion, are represented by the darker blue hues in this magnetic image. The source magmas are probably preserved in the paler blue, ovoid structures.

The strategic amalgamation of the lithium rights is clearly demonstrated in Figure 3; it shows the interpreted distribution of outcropping pegmatites within that portion of the pegmatite field dominated by LIT's exploration licence application E63/1777. On 23 May 2016, POS announced that sampling of lithium pegmatites very close to the boundary of E63/1722 had returned very high lithium assay results. The pegmatites sampled by POS are interpreted as extending to the northeast, into E63/1722. Figure 4 shows the proximity of the POS sampling to the boundary of E63/1722.

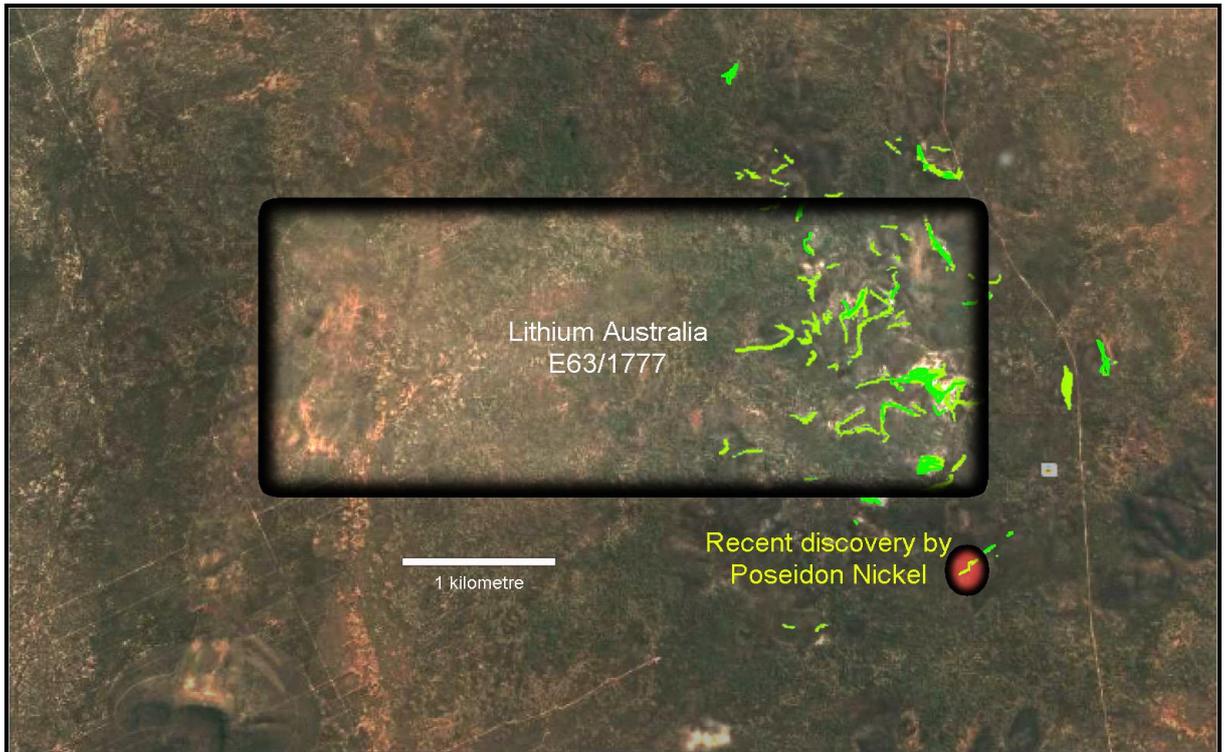


Figure 3: interpreted distribution of pegmatites in close proximity to E63/1777, the location of which is shown in Figure 2 above. Recent sampling of pegmatites by POS produced positive lithium results. Those pegmatites are interpreted as extending to the northeast, into E63/1722, as shown in Figure 4 below.

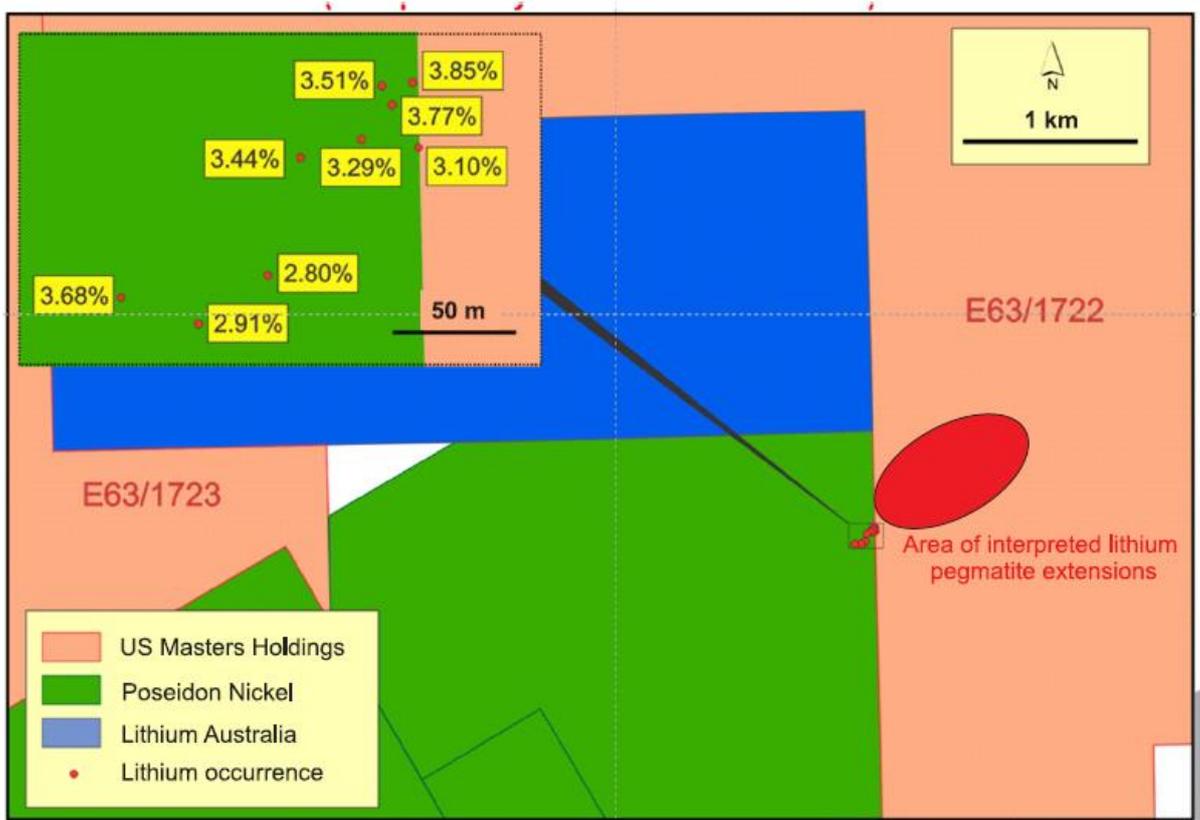


Figure 4: recent sampling results reported by POS, and area of interpreted pegmatite extensions.

LIT's acquisition of lithium rights from USH, within granted tenure, provides LIT with immediate exploration opportunities in the area.

SUMMARY OF TRANSACTION

USH is 100% owner of granted exploration licences E63/1722 and 1733. LIT holds an uncontested application for E63/1777.

LIT and USH have agreed that:

- LIT will acquire the lithium rights in relation to the E63/1722 and 1733 from USH;
- LIT will issue 9 million fully paid ordinary shares (the 'Consideration Shares') to USH in consideration for acquiring the lithium rights, subject to any regulatory approvals;
- 50% of the Consideration Shares (i.e. 4.5 million) will be subject to a voluntary escrow of three months from the date of issue;
- USH will acquire the gold and nickel rights in relation to E63/1777 from LIT **subject to and** upon grant, and subject to any necessary regulatory approval. In consideration for the granting of these rights over E63/1777, USH will issue to LIT 3 million fully paid USH ordinary shares at the time of transfer of those rights to USH, and
- LIT and USH grant a reciprocal first right of refusal with respect to the sale of the underlying tenure of the tenements.

It is anticipated that USH will be issued the 9 million fully paid ordinary shares in LIT before the end of July 2016. Settlement of the gold and nickel rights in E63/1777 is dependent on the timing of the granting of the tenement, which is likely to occur some time in 2016. The transaction provides LIT with significant exposure to the future success of USH. Further, it consolidates most of the Lake Johnston lithium pegmatite field as presently known, and there is significant exploration upside within the ground held by USH. Finally, the transaction provides USH with significant upside regarding the area's lithium potential.

COMMENT FROM LIT

Adrian Griffin, Managing Director of LIT, said of the USH transaction:

"Lake Johnston is a significant addition to LIT's Yilgarn asset base, and the deal with USH puts us in the box seat in that area. While previous exploration ignored the lithium potential of the pegmatites, recent exploration has demonstrated conclusively the prospectivity of the area. It's a great deal for LIT and for USH!"

Adrian Griffin

Managing Director

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About Lithium Australia NL

LIT is a dedicated developer of disruptive lithium extraction technologies including the versatile Sileach™ process which is capable of recovering lithium from any silicate minerals. LIT has strategic alliances with a number of companies, potentially providing access to a diversified lithium mineral inventory globally.

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