

14 November 2016

ASX ANNOUNCEMENT

LITHIUM AUSTRALIA ESTABLISHES FOOTHOLD FOR GRAPHITE AUSTRALIA IN THE HIGHLY PROSPECTIVE DONNELLY RIVER WESTERN AUSTRALIA

HIGHLIGHTS

- **Exploration Licence 70/4825, covering more than 79 square kilometres, has been granted**
- **The potential for economically significant graphite mineralisation is high**
- **The grant is important in light of LIT's strategy of building a portfolio of quality graphite assets**
- **Adds to graphite project suite covering Western Australia**

BACKGROUND

The Directors of Lithium Australia NL (ASX: LIT) are pleased to announce the grant to the Company of Exploration Licence 70/4825 in the Donnelly River area in Western Australia. This complements the recent grant of Exploration Licence 70/4824.

On 10 May 2016, LIT advised divestment of its graphite assets to Graphite Australia NL, currently a wholly owned subsidiary. LIT intends to extend a priority entitlement in the proposed float of Graphite Australia NL. This anticipated IPO is currently expected early next year.

Donnelly River Project (EL 70/4824, EL 70/4825 and ELA70/4823)

The Donnelly River Project is located in the far southwest of Western Australia, immediately to the north and northwest of the regional town of Manjimup. The Donnelly River area has a long history of small scale graphite mining dating back to 1904. Graphite was exploited from two locations at various times between 1904 and 1943. Donnelly River, originally known as Graphite Hill, from which most production has occurred, is within a 120m wide schist zone in meta-sedimentary gneisses. Exploration in the area during the 1980s yielded grades of up to 30%.

The Donnelly River Project overlies favorable host lithology being gneisses of predominantly sedimentary origin (Figure 1). Public domain geophysical surveys clearly show a number of conductive units within the project area which may represent graphitic horizons. These present "walk up" drill targets. First pass exploration will be aimed at assembling a digital dataset of all work carried out in the immediate area of the tenements. The ultimate aim would be to extend VTEM geophysical coverage to all three licence areas.

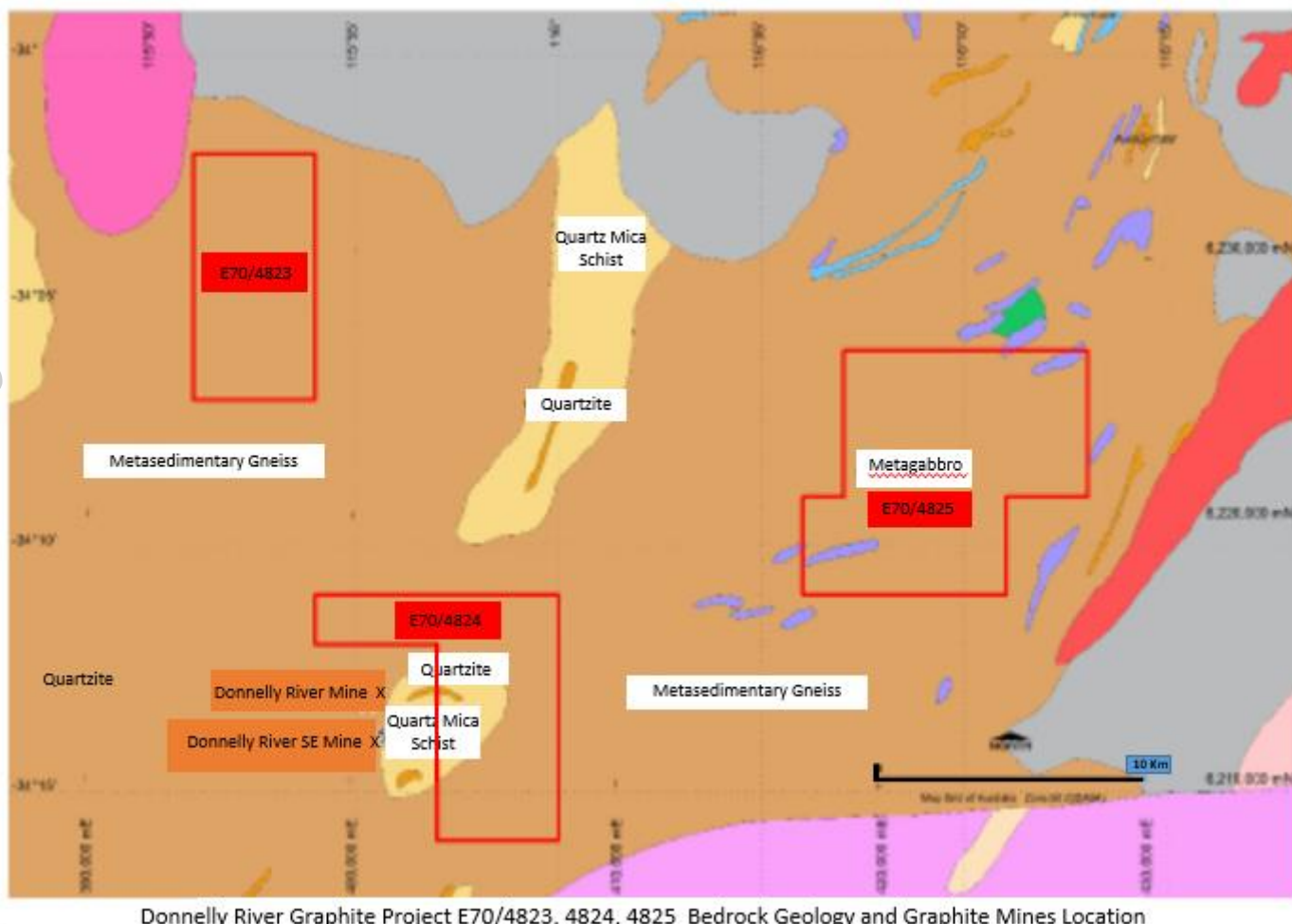


Figure 1 Location of the Donnelly River Project

Managing Director Adrian Griffin commented:

"Graphite Australia NL is well advanced in preparing its significant graphite portfolio for public listing. We are very cognizant of the fact that graphite is a dynamic industry and we need exceptional personnel to run the business. The recent appointment of Tom Revy to head Graphite Australia is a great advantage to Graphite Australia NL and will prove to be a great advantage for the shareholders of the parent company, Lithium Australia."

Tom's influence and experience in project development is shaping the way we look at graphite projects, as we assess opportunities to strengthen the asset base."

Further information in relation of Graphite Australia's projects can be found at:

<http://lithium-au.com/graphite-projects-wa/>.

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

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