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ADDENDUM TO ASX ANNOUNCEMENT OF 14 JAN 2016

(Inclusion of JORC Table 1)

Significant potential for lithium micas at WA's Pilgangoora "lithium hot spot"

- Areas prospective for lithium "micas" identified at Pilgangoora in addition to Pilbara Minerals Limited (ASX:PLS) existing spodumene-bearing pegmatite resource
- Major mica style anomaly discovered just to northwest and separate to PLS' pegmatite zones
- Discovery of a major target for further evaluation
- New results follow Lithium Australia's high resolution soil geochemical survey over project area under MOU with Pilgangoora owner, Pilbara Minerals
- Potential for lithium micas sees Lithium Australia and Pilbara Minerals renegotiating MOU terms aimed at expanding current evaluation work

New work has confirmed the significant potential for lithium "mica" styles to be added to Western Australia's emerging Pilgangoora lithium district, south of Port Hedland and where lithium resources based around spodumene-bearing pegmatite mineralisation have already been proven. The new work has been undertaken by Lithium Australia Limited (ASX: "LIT") under the Company's 2014 Memorandum of Understanding (MOU) with Pilgangoora owner, ASX-listed Pilbara Minerals (ASX: "PLS"). It is a further boost for both developers in what they regard as Western Australia's rapidly developing "lithium hot spot". Pilgangoora and its surrounding area already host Pilbara Minerals' world-class spodumene resource (PLS ASX announcement 13 October 2015) and has attracted a number of other like participants, including Altura Mining Limited (ASX: "AJM"), Metalicity Limited (ASX: "MCT") and Dakota Minerals Limited (ASX: "DKO") as shown diagrammatically in Figure 1.

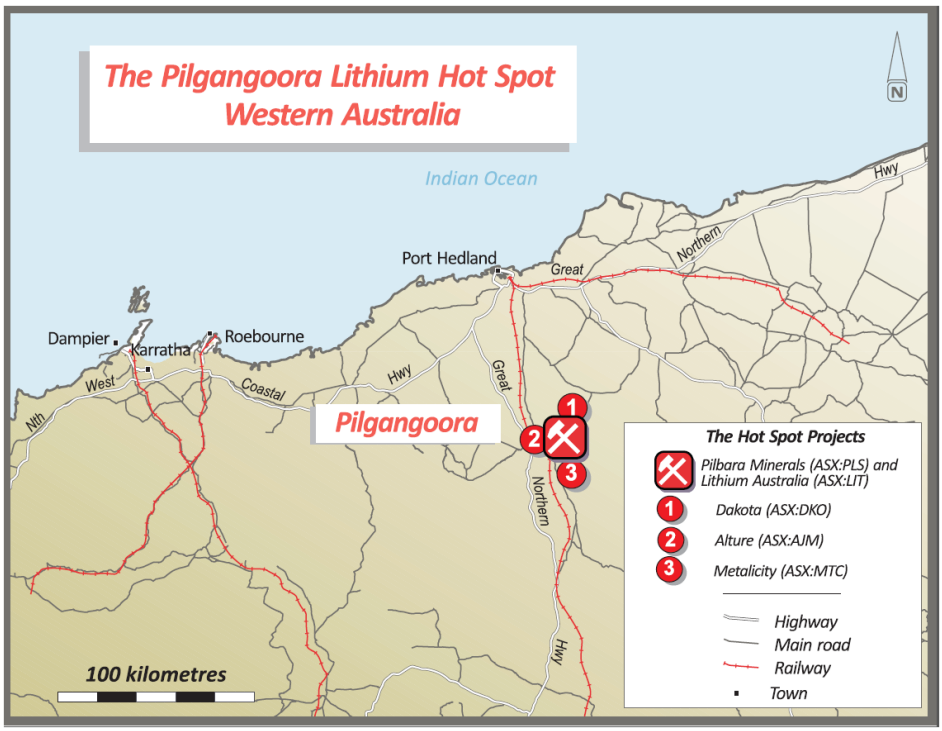

Figure 1. The Pilgangoora lithium hotspot is now host to a number of ASX-listed lithium explorers and substantial lithium resources. Lithium Australia is evaluating lithium mica mineralisation within the area subject of Pilbara Resources' recently announced JORC Resources.

Background
Lithium Australia's application of disruptive technology to the recovery of lithium from micas led to a MoU with PLS to examine the commercial potential of lithium micas on PLS' Pilgangoora project (ASX announcements, 26 November 2014 and 19 June 2015).

As part of the evaluation, Lithium Australia undertook a high resolution soil geochemical survey targeting the pathfinder elements indicative of lithium micas or their derivatives, being present in the soil profile. A positive response is a high probability indicator of a nearby primary source of lithium mica. The data and interpretation generated from the survey is shown in Figure 2.

Principal survey outcomes

The geochemical techniques employed across Pilgangoora were successfully pioneered on other lithium mica projects within Lithium Australia's project portfolio. The techniques use pathfinder elements as a proxy for lithium, primarily lithium derived from micas. In addition to field generated results, control samples were assayed for lithium to verify the veracity of the interpretation. The following observations have been made:

1. The elements used show an extremely strong correlation with lithium hosted by the pegmatite swarm, the subject of PLS' current drilling and resource evaluation;
2. Lithium micas were observed in PLS' drill chips, and are associated with the known spodumene mineralisation, albeit generally in low abundance;
3. The soil profile around the spodumene pegmatite swarms contains abundant lithium mica indicators;
4. A significant geochemical anomaly has been defined in the northwest of the project area, with a chemical signature typical of lithium micas, and separate to the spodumene-bearing lithium mineralisation;
5. The survey identified further prospective spodumene targets at Pilgangoora, providing upside for PLS.

Geochemical survey details

Lithium Australia's detailed geochemical survey covered 70 km of traverse lines with samples taken on a 50mx200m grid. Samples were analysed using a Niton field-portable XRF with a number of samples submitted to commercial laboratories for checks, calibration and lithium analysis (lithium cannot be detected by field-portable XRF).

Along the main pegmatite swarm (Figure 2) which is the focus of PLS' spodumene drilling and target of an updated resource statement (PLS ASX announcement 11 January 2016) all show a strong response. **In the northwest of the Pilgangoora ground, there is a unique high response which is more indicative of lithium micas than the more generalised geochemical response over the main pegmatite zone**. ***This is a major target for further evaluation.***

In general, these occurrences are close to the lithium pegmatites and have resulted from weathering and dispersion in the soil profile. The mineralogy and extent of these deposits will be the focus of some of Lithium Australia's future work in the area.

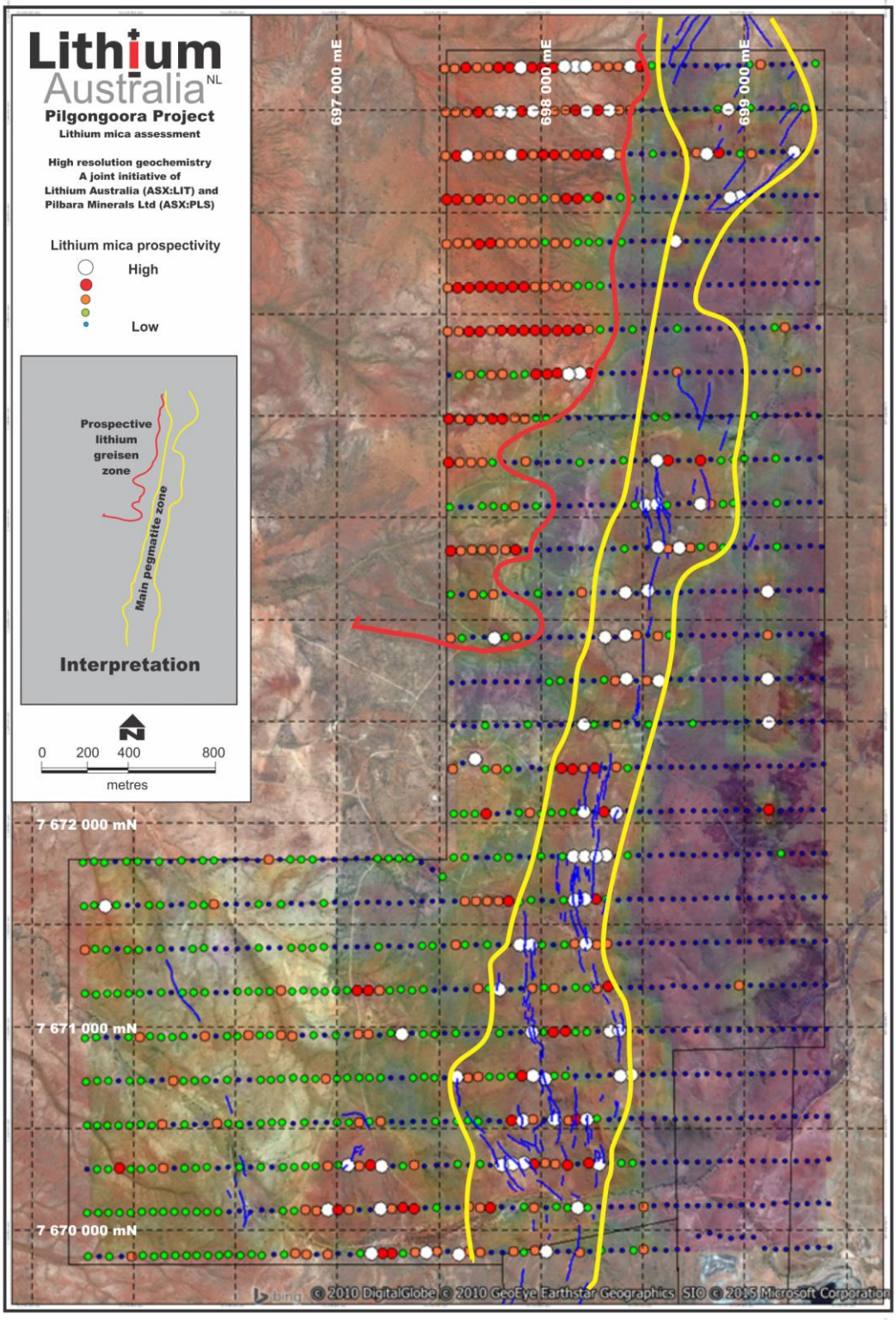

Figure 2 shows the outcropping pegmatites (blue) and their relationship with lithium mica geochemical pathfinders. The very large anomaly in the northwest is interpreted as a concealed greisenised granite, the geochemical signature of which separates it from the main pegmatite swarm.

Future objectives

Under the terms of the MoU between PLS and LIT, LIT was to provide PLS with a commercial development proposal by 30 December 2015. The parties recognise the very high potential now for lithium micas in the Pilgangoora area and are renegotiating the terms of the MoU to expand the evaluation for this potential additional lithium source.

Lithium Australia Managing Director, Mr Adrian Griffin:

"The Pilgangoora lithium district has become a very interesting place for LIT. We have discovered lithium in clays, and very large geochemical anomalies consistent with lithium mica mineralisation. Together with the lithium micas contained within the pegmatites, the circumstances are very favourable for further positive outcomes. Subject to our current MOU negotiations, we will progress our Pilgangoora mica work to ensure every value add opportunity is seized upon."

"The latest results also add to a very strong development and market period for Lithium Australia where the Company closed 2015 on a high, having achieved significant increases in both market capitalisation and share price for the year (LIT was the 7th best performing stock on the ASX, a return to shareholders of 292%) despite the devastated junior mining sector."

"We have this week announced a successful A$6.55 million capital raising (ASX release, 11 January 2016) on the back of the previously announced contributing share issue (ASX release, 7 January 2016) and are potentially well financed for the next two years."

"These financial gains parallel our project gains which now see Lithium Australia involved in unique lithium mica developments in Australia, Mexico and Europe."

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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 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.

JORC Code, 2012 Edition – Table 1

Section 1 Sampling Techniques and Data

(Criteria in this section apply to all succeeding sections.)

Criteria	JORC Code explanation	Commentary
Sampling techniques	*Nature and quality of sampling (eg cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling.*	*Lithium Australia NL (LIT) has completed a 1320 sample geochemical survey program over 70km of traverse lines. Results being reported are for 1320 samples over tenement E45/2232.See Figure 2 (above).*
	Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.	*LIT's detailed geochemical survey covered 70 km of traverse lines with samples taken on a 50mx200m grid. The first 630 sample readings were taken in-field while the remaining 690 samples were sieved, bagged and analysed in Perth. Samples were analysed using a Niton field-portable XRF. At each sample site a 100-150mm deep pit was dug. For the first 630 samples a single reading was taken from the fresh surface on the bottom of each pit and for the remaining 690 samples a reading was taken from the bagged, sieved soil coming from the bottom of each pit. Two reference type materials (standards) were used after every twentieth sample in order to ensure quality control.*
	Aspects of the determination of mineralisation that are Material to the Public Report. In cases where 'industry standard' work has been done this would be relatively simple (eg 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (eg submarine nodules) may warrant disclosure of detailed information.	*The 1320 samples were all geochemical "soil" samples analysed using a Niton field-portable XRF for a suite of 33 elements.36 samples were submitted to NAGROM laboratories (Perth) for checks, calibration and lithium analysis.*

Drilling techniques	*Drill type (eg core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (eg core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc).*	*Not applicable*
Drill sample recovery	*Method of recording and assessing core and chip sample recoveries and results assessed.*	*Not applicable*
	Measures taken to maximise sample recovery and ensure representative nature of the samples.	*Not applicable*
	Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.	*Not applicable*
Logging	*Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.*	*Not applicable*
	Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography.	*Not applicable*
	The total length and percentage of the relevant intersections logged.	*Not applicable*
Sub-sampling techniques and sample preparation	*If core, whether cut or sawn and whether quarter, half or all core taken.*	*Not applicable*
	If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry. For all sample types, the nature, quality and appropriateness of the sample preparation technique.	*At each sample site a 100-150mm deep pit was dug. For the first 630 samples a single reading was taken from the fresh surface on the bottom of each pit and for the remaining 690 samples a reading was taken from the bagged, sieved soil coming from the bottom of each pit.*

	Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.	*For the Niton based geochemical survey two reference type materials (standards) were used after every twentieth sample in order to ensure quality control. For the 36 samples sent to NAGROM, laboratory standards, splits and repeats were used for quality control.*
	Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling.	*Not applicable*
	Whether sample sizes are appropriate to the grain size of the material being sampled.	*Sampling sizes are considered to be appropriate*
Quality of assay data and laboratory tests	*The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.*	*The quality of the data from samples analysed by using field-portable Niton XRF analyser is considered appropriate due to consistent and accurate results from reference materials. 36 control samples were sent to NAGROM Pty Ltd's laboratory in Perth where laboratory standards, splits and repeats were used.*
	For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.	*A field-portable Niton XL3t XRF analyser was used for the geochemical survey. Each reading consisted of a 45 second interval reading on the soil-type setting. The 45 second interval consisted of a 15 second main range, 15 second low range and 15 second high range. The instrument was serviced 26th of August 2015 and a system check was done every time the instrument was switched on or after a battery change.*
	Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (ie lack of bias) and precision have been established.	*The quality of the data from samples analysed by using field-portable Niton XRF analyser is considered appropriate due to consistent and accurate results from reference materials. 36 control samples were sent to NAGROM Pty Ltd's laboratory in Perth where laboratory standards, splits and repeats were used.*
Verification of sampling and assaying	*The verification of significant intersections by either independent or alternative company personnel.*	*Not applicable*

	The use of twinned holes.	*Not applicable*
	Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.	*Spatial data and XRF data were imported from GPS and Niton XRF analyser respectively and stored into a single Excel datasheet. Two types of standards (reference materials) were used after every 20th sample. Field standard locations were used to verify the locations of sample points. These locations were also verified through a GIS verification.*
	Discuss any adjustment to assay data.	*Not applicable*
Location of data points	*Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.*	*Locations were marked by using a Garmin GPSmap 62s GPS. Approximately 5-10m accuracy.*
	Specification of the grid system used.	*The Grid used was MGA (GDA94, Zone 50)*
	Quality and adequacy of topographic control.	*Not applicable*
Data spacing and distribution	*Data spacing for reporting of Exploration Results.*	*70 km of traverse lines with samples taken on a 50mx200m grid. 50m intervals E-W with a 200m line spacing N-S.*
	Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.	*Not applicable*
	Whether sample compositing has been applied.	*Not applicable*
Orientation of data in relation to geological structure	*Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.*	*Geological strike is N-S. The N-S line spacing is 200m and the E-W sample spacing is 50m adequately establishing geochemical continuity.*

	If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.	*Not applicable*
Sample security	*The measures taken to ensure sample security.*	*All in-field XRF analyses were done by LIT's field geologist and all other samples were transported to and analysed in Perth by the same field geologist.*
Audits or reviews	*The results of any audits or reviews of sampling techniques and data.*	*The locations and XRF data have been reviewed by cross-verification of all the data in the digital excel datafile against GIS locations, reference material and raw data.*

Section 2 Reporting of Exploration Results

(Criteria listed in the preceding section also apply to this section.)

Criteria	JORC Code explanation	Commentary
Mineral tenement and land tenure status	*Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.*	*LIT has an MoU with Pilbara Minerals Limited (PLS), which owns 100% of the exploration tenement E45/2232. LIT is currently renegotiating the terms of the MoU to expand the evaluation for this potential additional lithium source.*
	The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.	*No known impediments*
Exploration done by other parties	*Acknowledgment and appraisal of exploration by other parties.*	*Talison completed RC holes in 2008. GAM completed RC holes between 2010 and 2012. PLS RC drilling in 2015.*

Geology	*Deposit type, geological setting and style of mineralisation.*	*The Pilgangoora pegmatites are part of the later stages of intrusion of Archaean granitic batholiths into Archaean metagabbros and metavolcanics. Lithium mineralisation occurs as spodumene in zoned pegmatites that have intruded a sheared metagabbro.*
Drill hole Information	*A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes, includingeasting and northing of the drill hole collar, elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar, dip and azimuth of the hole, down hole length and interception depth and hole length. If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.*	*Not applicable*
Data aggregation methods	*In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (eg cutting of high grades) and cut-off grades are usually Material and should be stated.*	*Not applicable*
	Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.	*Not applicable*
	The assumptions used for any reporting of metal equivalent values should be clearly stated.	*Not applicable*
Relationship between mineralisation widths and intercept lengths	*These relationships are particularly important in the reporting of Exploration Results.*	*Not applicable*
	If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.	*Not applicable*

	If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (eg 'down hole length, true width not known').	*Not applicable*
Diagrams	*Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.*	*See figure 2.*
Balanced reporting	*Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.*	*Not applicable*
Other substantive exploration data	*Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.*	*All meaningful & material exploration data has been reported.*
Further work	*The nature and scale of planned further work (eg tests for lateral extensions or depth extensions or large-scale step-out drilling).*	*Under the terms of the MoU between PLS and LIT, LIT was to provide PLS with a commercial development proposal by 30 December 2015. The parties recognise the very high potential now for lithium micas in the Pilgangoora area and are renegotiating the terms of the MoU to expand the evaluation for this potential additional lithium source.*
	Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.	*Not applicable*