LithiumAmericas

LITHIUM AMERICAS CORP.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED JUNE 30, 2016

(Expressed in US Dollars)
(Unaudited – Prepared by Management)

LITHIUM AMERICAS CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited – Prepared by Management)
(Expressed in thousands of US dollars)

	June 30, 2016 $	September 30, 2015 $
CURRENT ASSETS		
Cash and cash equivalents	12,237	5,552
Escrow deposit (Note 4)	833	-
Receivables, prepaids and deposits	616	1,077
Inventories	797	426
	14,483	7,055
NON-CURRENT ASSETS		
Restricted cash	150	150
Escrow deposit (Note 4)	1,667	-
Capital assets (Note 5)	18,862	18,713
Exploration and evaluation assets (Note 6)	1,010	42,623
Investment in Joint Venture (Note 4)	17,673	-
	39,362	61,486
TOTAL ASSETS	53,845	68,541
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	934	3,285
Convertible security (Note 8)	-	2,772
Current portion of long-term borrowing (Note 7)	122	117
Obligation under finance leases	43	41
	1,099	6,215
LONG-TERM LIABILITIES		
Long-term borrowing (Note 7)	896	988
Obligation under finance leases	91	123
Decommissioning provision	170	300
	1,157	1,411
TOTAL LIABILITIES	2,256	7,626
SHAREHOLDERS' EQUITY		
Share capital	107,619	99,318
Contributed surplus	11,669	10,847
Accumulated other comprehensive loss	(948)	(903)
Deficit	(66,751)	(48,347)
TOTAL SHAREHOLDERS' EQUITY	51, 589	60,915
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	53,845	68,541

Approved for issuance on August 8, 2016

On behalf of the Board of Directors:

"Lenard F. Boggio" Director *"George Ireland"* Director

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

LITHIUM AMERICAS CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE (LOSS)/INCOME
(Unaudited – Prepared by Management)
(Expressed in thousands of US dollars, except per share amounts and shares in thousands)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2016 $	2015 $	2016 $	2015 $
Organoclay sales revenue	168	-	168	-
Cost of sales				
Production costs	(208)	-	(208)	-
Inventories write down	(209)		(209)	
Depreciation	(60)	-	(60)	-
Total cost of sales	(477)	-	(477)	-
Gross loss	(309)	-	(309)	-
EXPENSES				
Exploration expenditures (Note 12)	(284)	(332)	(2,213)	(1,572)
Organoclay research and development	(104)	(110)	(320)	(328)
General and administrative	(1,289)	(727)	(3,754)	(2,643)
Share of loss in Joint Venture	(28)	-	(141)	-
Stock-based compensation (Note 9)	(1,571)	(94)	(2,224)	(514)
	(3,276)	(1,263)	(8,652)	(5,057)
OTHER ITEMS				
Foreign exchange loss	(10)	(20)	(129)	(197)
Convertible security accretion (Note 8)	(140)	(104)	(806)	(104)
Loss on sale of 50% interest in Minera Exar (Note 4)	(31)	-	(9,010)	-
Other (Note 11)	-	(32)	502	5
	(181)	(156)	(9,443)	(296)
NET LOSS FOR THE PERIOD	(3,766)	(1,419)	(18,404)	(5,353)
OTHER COMPREHENSIVE INCOME/(LOSS)				
Reclassification of cumulative translation adjustment on sale of 50% interest in Minera Exar (Note 4)	-	-	15,093	-
Unrealized loss on translation to reporting currency	(469)	(36)	(15,138)	(192)
	(469)	(36)	(45)	(192)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(4,235)	(1,455)	(18,449)	(5,545)
LOSS PER SHARE - BASIC AND DILUTED	(0.01)	(0.01)	(0.06)	(0.05)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC AND DILUTED	295,788	122,325	285,430	120,323

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

LITHIUM AMERICAS CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
(Unaudited – Prepared by Management)
(Expressed in thousands of US dollars and shares in thousands)

	Share capital					
	Number of Shares	Amount $	Contributed surplus $	Accumulated other comprehensive loss $	Income/ (Deficit) $	Shareholders' equity $
Authorized share capital:						
Unlimited common shares without par value						
Balance, September 30, 2015	266,485	99,318	10,847	(903)	(48,347)	60,915
Shares issued on exercise of stock options (Note 9)	4,178	1,310	(676)	-	-	634
Shares issued on exercise of warrants (Note 9)	1,715	1,057	(99)	-	-	958
Shares issued on conversion of restricted shares (Note 9)	1,675	651	-	-	-	651
Shares issued on conversion of restricted shares in lieu of deferred salaries	138	50	-	-	-	50
Shares issued for equity financing (Note 9)	17,263	3,500	-	-	-	3,500
Share issuance costs (Note 9)	-	(191)	-	-	-	(191)
Shares issued for convertible security (Note 8)	8,038	1,924	-	-	-	1,924
Stock-based compensation	-	-	1,597	-	-	1,597
Net loss	-	-	-	-	(18,404)	(18,404)
Other comprehensive income	-	-	-	(45)	-	(45)
Balance, June 30, 2016	299,492	107,619	11,669	(948)	(66,751)	51,589
Balance, September 30, 2014	119,235	53,036	9,176	(337)	(40,792)	21,083
Shares issued on exercise of stock options	730	281	(118)	-	-	163
Shares issued on exercise of warrants	148	98	(12)	-	-	86
Shares issued for equity financing	11,414	6,487	-	-	-	6,487
Share issuance cost	-	(765)	119			(646)
Warrants issued for convertible security	-	-	236	-	-	236
Stock-based compensation	-	-	514	-	-	514
Net loss	-	-	-	-	(5,353)	(5,353)
Other comprehensive loss	-	-	-	(192)	-	(192)
Balance, June 30, 2015	131,527	59,137	9,915	(529)	(46,145)	22,378

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

LITHIUM AMERICAS CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited – Prepared by Management)
(Expressed in thousands of US dollars)

	For the nine months ended June 30,	
	2016	**2015**
	$	**$**
OPERATING ACTIVITIES		
Net loss for the period	(18,404)	(5,353)
Items not affecting cash:		
Stock-based compensation	2,224	514
Depreciation	345	29
Foreign exchange loss	129	197
Share of loss in Joint Venture	141	-
Convertible security accretion	806	104
Loss on sale of 50% interest in Minera Exar	8,369	-
Other income	(542)	(38)
Changes in non-cash working capital items:		
Decrease in receivables, prepaids and deposits	434	124
Increase in inventories	(350)	(363)
(Decrease)/increase in accounts payable and accrued liabilities	(1,171)	18
Net cash used in operating activities	(8,019)	(4,768)
INVESTING ACTIVITIES		
Additions to exploration and evaluation assets (Notes 6 and 14)	(523)	(52)
Cash received from Joint Venture	14,754	-
Escrow deposit	(2,500)	-
Deferred merger expenses	-	(7)
Cash disposed on the sale of 50% interest in Minera Exar	(93)	-
Additions to capital assets (Note 5)	(534)	(3,228)
Net cash provided/(used) in investing activities	11,104	(3,287)
FINANCING ACTIVITIES		
Proceeds from stock options exercises	634	163
Proceeds from warrants exercises	958	86
(Repayment of)/net proceeds from convertible security funding	(1,653)	2,685
Net proceeds from equity financing (Note 9)	3,497	5,958
Finance lease repayments	(30)	(27)
Repayment of long-term borrowing	(87)	(83)
Net cash provided by financing activities	3,319	8,782
EFFECT OF FOREIGN EXCHANGE ON CASH	281	(383)
CHANGE IN CASH AND CASH EQUIVALENTS	6,685	344
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	5,552	7,160
CASH AND CASH EQUIVALENTS - END OF PERIOD	12,237	7,504

Supplemental disclosure with respect to cash flows (Note 14)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

1. NATURE OF OPERATIONS

Effective March 22, 2016, Western Lithium USA Corp. changed its corporate name to Lithium Americas Corp. ("Lithium Americas" or the "Company"). Lithium Americas is a Canadian based resource company focused on the development of two significant lithium development projects, the Cauchari-Olaroz project, located in Jujuy province of Argentina, and the Lithium Nevada project (formerly the Kings Valley project), located in north-western Nevada, USA, and on the manufacturing and sales of organoclay products.

On March 28, 2016, the Company signed a definitive agreement with SQM POTASIO S.A. ("SQM") to enter into 50/50 joint venture (the "Joint Venture") on the Cauchari-Olaroz project (Note 4).

The Company's plant facility located in Fernley, Nevada, USA was constructed to manufacture specialty organoclay products ("Hectatone^{TM}" products), derived from hectorite and other clays, for sale to the oil and gas and other sectors. The plant was considered to be completed and ready for use on April 1, 2016 and is currently being commissioned, accordingly, revenues and costs of sales are recorded in respect of these operations commencing April 1, 2016. Prior to April 1, 2016, sales of organoclay product amounted to $688 and have been accounted for as a reduction of the capitalized costs of organoclay plant capital asset.

The Company's head office, principal address, and registered and records office is Suite 1100-355 Burrard Street, Vancouver, British Columbia, Canada, V6C 2G8.

To date, the Company has not generated significant revenues from operations and has relied on equity and other financings to fund operations. The underlying value of exploration and evaluation assets is entirely dependent on the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain the necessary financing to complete permitting, development, and future profitable operation.

2. BASIS OF PREPARATION AND PRESENTATION

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. The condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended September 30, 2015, which have been prepared in accordance with IFRS as issued by the IASB.

These condensed consolidated interim financial statements are expressed in US dollars, the Company's presentation currency, and have been prepared on a historical cost basis. The Company has used the same accounting policies and methods of computation, except new policies as disclosed in Note 3, as in the annual consolidated financial statements for the year ended September 30, 2015.

3. SIGNIFICANT ACCOUNTING POLICIES

Accounting Standards Issued but Not Yet Applied

On January 13, 2016 the IASB issued IFRS 16, Leases. According to the new standard, all leases will be on the balance sheet of lessees, except those that meet the limited exception criteria. Respectively, rent expense is to be removed and replaced by the recording of depreciation and finance expenses. The standard is effective for annual periods beginning on or after January 1, 2019. The Company has yet to assess the impact of adoption.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting Standards Issued but Not Yet Applied *(continued)*

IFRS 9, *Financial Instruments*, was issued in November 2009 and addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent that they do not clearly represent a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

IFRS 15, Revenue from Contracts with Customers ("IFRS 15"), deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Under IFRS 15, revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18, Revenue, and IAS 11, Construction Contracts, and related interpretations. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. Management is assessing the impact of IFRS 15.

Requirements for financial liabilities were added to IFRS 9 in October 2010 and they largely carried forward existing requirements in IAS 39, *Financial Instruments – Recognition and Measurement*, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income. The standard is effective for annual periods beginning on or after January 1, 2018. The Company has yet to assess the impact of adoption.

New Accounting policies

Investments in joint arrangements

A joint arrangement is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control such that significant operating and financial decisions require the unanimous consent of the parties sharing control. The Company's joint arrangement is classified as a joint venture and is accounted for using the equity method. The equity method involves recording the initial investment at cost. When a joint venture is formed from a previous investment in a subsidiary, the Company recognizes a gain or loss on change of control in relation to the portion of the investment no longer owned based upon the carrying value of the assets. Additional funding into an investee is recorded as an increase in the carrying value of the investment. The carrying amount is adjusted by the Company's share of a joint venture's net income or loss, depreciation, amortization or impairment. When the Company's share of losses of a joint venture exceeds the Company's carrying value of the investment, the Company discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Company has incurred legal or constrictive obligations or made payments on behalf of the joint venture.

Capital assets

Capital assets that are currently in use are depreciated as follows:
- Organoclay plant – straight-line basis over the estimated useful life of 20 years;
- Buildings – straight-line basis over the estimated useful life of 20 years;
- Organoclay plant equipment – straight line basis over the estimated lives 5-20 years.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

New Accounting policy *(continued)*

Inventories

Organoclay products, in-process and stockpile inventories are recorded at the lower of average cost and net realizable value. The cost of finished goods and work-in-progress comprises raw materials, direct labour, and other direct costs, as well as related production overheads including applicable depreciation on property, plant and equipment. Net realizable value is the estimated selling price less applicable selling expenses. When inventories have been written down to net realizable value, a new assessment of net realizable value is made in each subsequent period. When the circumstances that caused the write down no longer exist, the amount of the write down is reversed. Materials and supplies inventories are valued at the lower of average cost and net realizable value. Cost includes acquisition, freight and other directly attributable costs.

Revenue

Organoclay products revenue is recognized when it is probable that the economic benefits will flow to the Company, risks and rewards of ownership are transferred to the customer, delivery has occurred, the sales price is reasonably determinable, and collectability is reasonably assured. These criteria are generally met at the time the product is shipped and delivered to the customer and, depending on the delivery conditions, title and risk have passed to the customer and acceptance of the product, when contractually required, has been obtained. Revenue is measured based on the price specified in the sales contract, net of discounts, at the time of sale.

Share-based payments

The cost of equity-settled payment arrangements is recorded based on the estimated fair value at the grant date and charged to earning over the vesting period.

Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The first test shipment of organoclay products was in January 2015. Construction, commissioning and testing continued to March 2016. When a project nears the end of construction, management has to exercise judgment to determine the date in which the asset was in the location and condition necessary to operate as intended by management. The identification of this date is important since it establishes the point in time at which costs cease to be capitalized unless they provide an enhancement to the economic benefits of the asset, processing costs begin to stabilize, the capitalization of pre-start-up revenue ceases and depreciation of the asset commences. Management determined the appropriate start date of the organoclay operations to be April 1, 2016.

In preparing these consolidated financial statements, the Company makes judgements, estimates and assumptions concerning the future which may vary from actual results. The significant estimates and judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were substantially the same as those that applied to the consolidated financial statements as at and for the year ended September 30, 2015.

(Expressed in thousands of US dollars, except for per share amounts and shares in thousands)

4. INVESTMENT IN JOINT VENTURE

On March 28, 2016, the Company announced a definitive agreement with SQM to enter into 50/50 Joint Venture on the Cauchari-Olaroz project in Jujuy, Argentina. SQM contributed $25,000 to Minera Exar S.A. ("Minera Exar"), a wholly owned subsidiary of Lithium Americas, in exchange for a 50% equity interest in Minera Exar. Following receipt of the contribution, Minera Exar repaid loans and advances from Lithium Americas in the amount of $15,000 and the remaining $10,000 is to be used by the Joint Venture for certain project development costs to be incurred.

The Company recorded a $9,010 loss on sale of its 50% equity interest in Minera Exar as follows:

SQM contribution for 50% equity interest in Minera Exar	$25,000
SQM's 50% contribution for Joint Venture project development	(5,000)
Minera Exar's 50% of net assets at the time of disposition	(13,276)
Transaction costs	(641)
Cumulative foreign exchange amount	(15,093)
Loss on sale of 50% interest in Minera Exar	$(9,010)

SQM and the Company also entered into an Escrow Agreement requiring the Company to deposit $2,500 of the $15,000 contribution (the "Escrow Amount") into an escrow account. Subject to certain provisions, the Escrow Amount will be released to the Company over three years as follows: $833 on March 28, 2017, $833 on March 28, 2018, and $833 on March 28, 2019. The Escrow Amount can be used to pay certain contingent liabilities of Minera Exar, if any arise, related to the actions prior to the Joint Venture formation. The Company has also provided a guarantee for up to $354 in transaction related costs in the event that such costs arise in the future.

The changes in investment in the Joint Venture since initial contribution are as follows:

	For the nine months period ended June 30, 2016 $
Initial contribution to Joint Venture	
50% of net asset value of Minera Exar	13,276
50% of contribution for Joint Venture project development	5,000
Total initial contribution	18,276
Share of loss of Joint Venture	(141)
Translation adjustment	(462)
Investment in Joint Venture - end of period	17,673

Joint Venture Commitments and Contingencies

As at June 30, 2016, the Company's 50% portion of the Joint Venture's commitments and contingencies are as follows:

- Annual royalty of $100 due in May of every year and expiring in 2041;
- Aboriginal programs agreements with six communities located in the Cauchari-Olaroz project area have terms from five to thirty years. The annual fees due are $263 between 2017 and 2021 and $2,337 between 2021 and 2055, assuming that these payments will be extended for the life of the project. These payments will be incurred only if the Joint Venture starts production.

4. INVESTMENT IN JOINT VENTURE (continued)

Joint Venture Commitments and Contingencies (continued)

In calendar 2014, a legal claim for $340 (the Company's portion is $170) was initiated against Minera Exar, related to the fulfillment of contract and damages associated with an exploration contract with the option to acquire mining rights on a lime deposit in Argentina. This lime deposit is unrelated to Minera Exar's principal lithium properties. Management is currently consulting with legal counsel to determine the validity and assessment of the claim. A $340 lien was applied on certain bank accounts of Minera Exar related to this matter. The lien was subsequently removed and replaced with an insurance policy.

Los Boros Option Agreement

On March 28, 2016, the Joint Venture entered into a purchase option agreement ("Option Agreement") with Grupo Minero Los Boros ("Los Boros") for the transfer of title to the Joint Venture for certain mining properties that comprised a portion of Caucahri-Olaroz project. Under the terms of the Option Agreement, the Joint Venture paid $100 (the Company's portion was $50) upon signing and has a right to exercise the purchase option at any time within 30 months for the total consideration of $12,000 (the Company's portion is $6,000) to be paid in sixty quarterly instalments of $200 (the Company's portion is $100). The first installment becomes due upon occurrence of one of the following two conditions, whichever comes first: third year of the purchase option exercise date or the beginning of commercial exploitation with a minimum production of 20,000 tons of lithium carbonate equivalent. As a security for the transfer of title for the mining properties under the Option Agreement, Los Boros granted to the Joint Venture a mortgage for $12,000. The Vice President of Los Boros is also a director of the Company.

If the Joint Venture exercises the purchase option, the following royalties will have to be paid to Los Boros:

- $300 (the Company's portion is $150) within 10 days of the commercial plant construction start date; and
- 3% net profit interest (the Company's portion is 1.5%) for 40 years, payable in pesos, annually within the 10 business days after calendar year end.

The Joint Venture can cancel the first 20 years of net profit interest in exchange for a one-time payment of $7,000 (the Company's portion is $3,500) and the next 20 years for additional $7,000 (the Company's portion is $3,500).

JEMSE Arrangement

The Joint Venture has granted a right to Jujuy Energia y Mineria Sociedad del Estado ("JEMSE"), a mining investment company owned by the government of Jujuy Province in Argentina, to acquire an 8.5% equity interest in Minera Exar for one US dollar and provide management services as required to develop the project. JEMSE will only acquire this equity position upon completion of the project financing. JEMSE will be required to cover its pro rata share of the financing requirements for the construction of the project. These funds will be loaned to JEMSE by the shareholders of Minera Exar and will be repayable out of one-third of the dividends to be received by JEMSE over future years from the project. The distribution of dividends to JEMSE and other shareholders in the project will only commence once all commitments related to the project and debt financing are met.

(Expressed in thousands of US dollars, except for per share amounts and shares in thousands)

5. CAPITAL ASSETS

	Land	Buildings	Equipment and machinery	Organoclay plant	Other	Total
	$	$	$	$	$	$
Cost						
As at September 30, 2014	349	1,789	4,332	9,169	331	15,970
Additions	22	168	736	1,980	37	2,943
Foreign exchange	-	-	-	-	(12)	(12)
As at September 30, 2015	371	1,957	5,068	11,149	356	18,901
Additions	15	61	88	345	4	513
Disposition	-	-	-	-	(30)	(30)
Contribution to Joint Venture	-	-	-	-	(12)	(12)
Foreign exchange	-	-	-	-	1	1
As at June 30, 2016	386	2,018	5,156	11,494	319	19,713

	Land	Buildings	Equipment and machinery	Organoclay plant	Other	Total
	$	$	$	$	$	$
Accumulated depreciation						
As at September 30, 2014	-	-	-	-	37	37
Depreciation for the year	-	-	112	-	39	151
As at September 30, 2015	-	-	112	-	76	188
Depreciation for the period	-	25	149	144	27	345
Disposition	-	-	-	-	(18)	(18)
Contribution to Joint Venture	-	-	-	-	(4)	(4)
As at June 30, 2016	-	25	261	144	81	511

	Land	Buildings	Equipment and machinery	Organoclay plant	Other	Total
	$	$	$	$	$	$
Net book value						
As at September 30, 2015	371	1,957	4,956	11,149	280	18,713
As at June 30, 2016	386	1,993	4,895	11,350	238	18,862

6. EXPLORATION AND EVALUATION ASSETS

	June 30, 2016		
	Lithium Nevada	Cauchari-Olaroz	Total
	$	$	$
Acquisition costs			
Balance, beginning	958	41,665	42,623
Additions	52	71	123
Change in foreign exchange rate	-	(14,874)	(14,874)
Sale of 50% of net assets	-	(13,431)	(13,431)
Contribution to Joint Venture	-	(13,431)	(13,431)
Total exploration and evaluation assets	1,010	-	1,010

(Expressed in thousands of US dollars, except for per share amounts and shares in thousands)

6. EXPLORATION AND EVALUATION ASSETS (continued)

	September 30, 2015		
	Lithium Nevada $	Cauchari-Olaroz $	Total $
Acquisition costs			
Balance, beginning	456	-	456
Additions	502	41,916	42,418
Change in foreign exchange rate	-	(251)	(251)
Total exploration and evaluation assets	958	41,665	42,623

The Company has the following future payments and royalties, which will only be incurred if the Company starts production in respect to the Lithium Nevada project:

- Mining Option Agreement with Uravada Inc. ("Uravada") on certain mining claims for $50 annual payment due on January 21 in advance net smelter return royalty payments. The Company's interest in these claims is subject to a 3% net smelter return royalty;
- Mining Option Agreement to acquire four mining claims for $2 per year in advance net smelter return royalty payments due on November 15. The Company's interest in these claims is subject to a 1.5% net smelter return royalty;
- 20% royalty to Cameco Global Exploration II Ltd. solely in respect of uranium;
- 8% gross revenue royalty on all production from the Lithium Nevada Project until the cumulative payment of $22,000. The royalty will then be reduced to 4% for the life of the project. The Company has the option at any time to reduce the royalty to 1.75% upon payment of $22,000.

7. LONG-TERM BORROWING

Promissory Note

In July 2013, the Company purchased an industrial complex in the City of Fernley to be the production site for its organoclay plant. The property was purchased for $1,575, of which $236 was paid at the close of the transaction, and the remaining balance of $1,339 was financed by the seller with a ten-year promissory note payable in monthly instalments. The promissory note bears 5.25% annual interest for the first five years, and then at a reset interest rate of between 5.5% to 7.5% for the final five years, depending on the prime rate at the time of reset. Security provided for the promissory note includes a mortgage charge against the purchased property.

8. CONVERTIBLE SECURITY

In May 2015, the Company received $2,800 under the convertible security funding agreement, net of prepaid interest of $560 and financing fee of $140, and issued a convertible security with a face value of $3,500. The convertible security has a two-year term from the date of issue and incurs an interest rate of 10% on the amount of funding. The Company has provided a second lien on its organoclay plant as a security for the convertible security. In June 2016, the Company repaid the remaining balance of $1,653 related to the convertible security and removed the second lien on the organoclay plant.

(Expressed in thousands of US dollars, except for per share amounts and shares in thousands)

8. CONVERTIBLE SECURITY (continued)

The changes in the convertible security since the initial funding are as follows:

	$
Face value of convertible security	3,500
Security conversion	(300)
Prepaid interest for 2 years	(560)
Financing fee	(140)
Transaction costs	(187)
Fair value of warrants	(236)
Conversion discount liability	(618)
Convertible security accretion	748
Carrying value of the convertible security	2,207
Conversion discount liability	565
Convertible security, September 30, 2015	**2,772**
Security conversion	(1,636)
Decrease in conversion discount liability	(289)
Convertible security accretion	806
Repayment of convertible security	(1,653)
Convertible security, June 30, 2016	**-**

The following table summarizes the security conversions since inception:

Conversion Date	Conversion Amount $	Calculated Conversion Price, CDN$	Number of Shares Issued
September 22, 2015	300	0.4721	838
October 13, 2015	350	0.2326	1,962
November 2, 2015	200	0.2995	875
November 30, 2015	275	0.2484	1,479
December 31, 2015	350	0.2786	1,744
January 26, 2016	250	0.3242	1,101
February 29, 2016	211	0.3340	875
	1,936	**0.29**	**8,874**

9. ISSUED CAPITAL, EQUITY COMPENSATION, AND WARRANTS

Private Placement

During the nine months ended June 30, 2016, 6,450 Subscription Receipts previously issued to an affiliate of The Bangchak Petroleum Public Company Limited ("Bangchak") were converted into 17,263 common shares of the Company for total gross proceeds of $3,500**.** The Company incurred $191 in costs associated with these Subscription Receipts.

Equity Incentive Plan

The Company has an equity incentive plan ("Plan") in accordance with the policies of the TSX whereby, from time to time, at the discretion of the Board of Directors, eligible directors, officers, employees and consultants are: (1) granted incentive stock options exercisable to purchase common shares ("Stock Options"); (2) awarded restricted share rights ("RS's") that convert automatically into common shares upon vesting; and (3) for eligible directors, awarded deferred share units ("DSU's") which the directors are entitled to redeem for common shares upon retirement or termination from the Board. Under the Plan, up to 29,197 common shares are reserved for issuance of Stock Options, RS's and DSU's. The exercise price of each stock option is based on the fair market price of the Company's common shares at the time of the grant. The options can be granted for a maximum term of five years.

(Expressed in thousands of US dollars, except for per share amounts and shares in thousands)

9. ISSUED CAPITAL, EQUITY COMPENSATION, AND WARRANTS (continued)

Equity Incentive Plan (continued)

Restricted Shares

During the period ended June 30, 2016, the Company granted approximately 3,697 RS's to its directors, executive officers, consultants and employees. The total estimated fair value of the RS's was $1,458 based on the market value of the Company's shares on the grant date. The fair value of 172 RS's that were granted in lieu of deferred salaries was recorded in Q3 2016 as a reduction of accrued liabilities, and the fair value of the remaining RS's of $1,272 was recorded as a share-based payments expense and charged to operating expenses over the vesting period. At June 30, 2016, $37 of the fair value of RS's previously granted but not yet vested remains to be expensed in fiscal 2016 and $56 in fiscal 2017.

A summary of changes to restricted shares is as follows:

	Number of RS's *(in 000's)*	FMV Price per share, *(CDN$)*
Balance, RS's September 30, 2015	-	-
Granted	3,247	0.47
Granted	350	0.75
Granted	100	0.73
Converted into common shares	(1,613)	(0.47)
Converted into common shares	(100)	(0.75)
Converted into common shares	(100)	(0.73)
Balance, RS's June 30, 2016	1,884	0.51

Restricted shares granted during the period ended June 30, 2016, are as follows:

Number of RS's granted (in 000's)	FMV price per share CDN$	Conversion dates
1,613	0.47	May 14, 2016
100	0.75	May 1, 2016[1]
100	0.73	May 13, 2016
100	0.75	November 1, 2016
200	0.47	March 1, 2017
600	0.47	March 30, 2017
150	0.75	May 1, 2017[1]
600	0.47	March 30, 2018
234	0.47	Change of control or separation from the Company
3,697		

[1]Conversion is subject to vesting on the same dates.

Deferred Share Units

During the period ended June 30, 2016, the Company granted 47 DSU's with the total estimated fair value of $17 to two of the Company's directors in lieu of the directors' fees payments for the period October 1, 2016 to March 31, 2016.

(Expressed in thousands of US dollars, except for per share amounts and shares in thousands)

9. ISSUED CAPITAL, EQUITY COMPENSATION, AND WARRANTS (continued)

Equity Incentive Plan (continued)

Stock Options

On May 1, 2016, the Company granted 500 stock options at the exercise price of CDN$0.75 per option to one of its officers. The expiry date of the stock options is May 1, 2021. The fair value of the stock options was estimated at CDN$0.41 per option for a total of CDN$205 which will expensed over the 18-month vesting period. The fair value of stock options was estimated on the date of grant using the Black-Scholes Option Pricing model with the following assumptions: risk-free rate of 0.6%, estimated volatility 92%, expected life of 3 years, share price on the grant date of CDN$0.72, and expected dividend yield of 0%. Annualized volatility was determined solely based on historical volatility.

On March 30, 2016, the Company granted 4,600 stock options at the exercise price of CDN$0.47 per option to its directors and employees. The expiry date of the stock options is March 30, 2021. The fair value of the stock options was estimated at CDN$0.27 per option for a total of CDN$1,242 which will expensed over the 18-month vesting period. The fair value of stock options was estimated on the date of grant using the Black-Scholes Option Pricing model with the following assumptions: risk-free rate of 0.6%, estimated volatility 92%, expected life of 3 years, share price on the grant date of CDN$0.47, and expected dividend yield of 0%. Annualized volatility was determined solely based on historical volatility.

On October 5, 2015, the Company granted 3,505 stock options at the exercise price of CDN$0.30 per option to its directors and employees. The expiry date of the stock options is October 5, 2020. The fair value of the stock options was estimated at CDN$0.16 per option for a total of CDN$561. The fair value of stock options was estimated on the date of grant using the Black-Scholes Option Pricing model with the following assumptions: risk-free rate of 0.7%, estimated volatility 80%, expected life of 3 years, share price on grant date of CDN$0.30, and expected dividend yield of 0%. Annualized volatility was determined solely based on historical volatility.

Stock options outstanding and exercisable as June 30, 2016, are as follows:

Number of Options Outstanding (in 000's)	Number of Options Exercisable (in 000's)	Exercise Price CDN$	Expiry Date
738	738	0.54	September 16, 2016
340	340	0.27	January 3, 2017
1,150	1,150	0.16	August 30, 2017
1,850	1,850	0.27	October 21, 2018
210	210	0.80	April 1, 2019
1,105	1,105	0.38	April 18, 2019
3,708	3,708	0.29	July 16, 2019
275	275	0.49	July 16, 2019
2,225	2,225	0.69	August 15, 2019
533	533	0.34	February 12, 2020
2,525	2,075	0.30	October 5, 2020
4,525	1,131	0.47	March 30, 2021
500	125	0.75	May 1, 2021
19,684	15,465		

(Expressed in thousands of US dollars, except for per share amounts and shares in thousands)

9. ISSUED CAPITAL, EQUITY COMPENSATION, AND WARRANTS (continued)

Stock Options (continued)

A summary of changes to stock options outstanding is as follows:

	Number of Options *(in 000's)*	Weighted Average Exercise Price, *(CDN$)*
Balance, outstanding September 30, 2014	15,480	0.59
Issued	5,346	0.31
Forfeited	(98)	(0.71)
Expired	(2,375)	(1.25)
Exercised	(1,022)	(0.45)
Balance, outstanding September 30, 2015	17,331	0.43
Expired	(1,417)	(1.25)
Forfeited	(18)	(0.33)
Exercised	(4,817)	(0.29)
Granted	8,605	0.42
Balance, outstanding June 30, 2016	19,684	0.40

During the period ended June 30, 2016, 1,976 options were exercised under the cashless exercise provision of the Company's stock option plan, resulting in the issuance of 1,337 shares of the Company.

Stock-based compensation expense related to stock options of $953 (Q3 2015 - $514) was charged to operations and credited to contributed surplus to reflect the fair value of stock options vested during the period ended June 30, 2016. At June 30, 2016, $269 of the fair value of stock options previously granted but not yet vested remains to be expensed in fiscal 2016 and $344 in fiscal 2017. The weighted-average share price on the date of the stock options exercised was CDN$0.80.

Subsequent to June 30, 2016, 125 stock options were exercised at an exercise price of CDN$0.54 and 1,075 options were exercised under the cashless exercise provisions.

Warrants

A summary of the changes in the number of the Company's share purchase warrants is as follows:

(Expressed in thousands of US dollars, except for per share amounts and shares in thousands)

9. ISSUED CAPITAL, STOCK OPTIONS, AND WARRANTS (continued)

Warrants (continued)

	Number of Warrants (in '000's)	Weighted Average Exercise Price (CDN$)	Expiry Date
Balance, September 30, 2014	8,272	0.74	
Exercised	(107)	(0.75)	May 16, 2016
Exercised	(41)	(0.58)	May 16, 2016
Issued	79	0.48	August 12, 2016
Issued	5,707	0.90	June 9, 2017
Issued	742	0.70	June 9, 2017
Issued	3,125	0.8464	May 19, 2018
Balance, September 30, 2015	17,777	0.81	
Exercised	(371)	0.58	May 16, 2016
Exercised	(1,344)	0.75	May 16, 2016
Expired	(6,409)	(0.75)	May 16, 2016
Balance, June 30, 2016	9,653	0.86	

Subsequent to June 30, 2016, 215 warrants were exercised at CDN$0.90 per warrant, 6 warrants at CDN$0.70 per warrant, and 79 warrants at CDN$0.48 per warrant.

10. RELATED PARTY TRANSACTIONS

Compensation of Key Management

The Company paid its non-executive directors a fee of CDN$25 per year and an additional CDN$10 per year to the Company's Audit Committee Chair. Effective April 1, 2016, the Company revised the remuneration of its non-executive directors to a base annual fee of $35 per year and an additional $5 per year to a Committee Chair, $10 to the Company's Audit Committee Chair, and $25 to the Company's Board Chair. In addition, the Company will pay $1 per meeting in cash for Board meetings in excess of six meetings per year. The fees will be settled through a mixture of cash and the issuance of the DSU's with each board member obligated to receive a minimum of 50% and a maximum of 100% of all such compensation in DSU's.

(Expressed in thousands of US dollars, except for per share amounts and shares in thousands)

10. RELATED PARTY TRANSACTIONS (continued)

Compensation of Key Management *(continued)*

The remuneration of directors and members of the executive management team included:

	For the nine months ended June 30,	
	2016	2015
	$	$
Stock-based compensation	571	386
Deferred salaries and bonuses – stock-based compensation	1,035	-
Salaries ,benefits, and directors fees included in general and administrative expenses	1,185	805
Salaries, benefits and director's fees included in exploration expenditures	278	401
Salaries and benefits included in capital assets	-	129
	3,069	1,721

	As at June 30,	As at September 30,
	2016	2015
	$	$
Total due to directors and executive team	105	58

The related party transactions incurred during the period ended June 30, 2016, were in the normal course of operations and were measured at the amount of consideration established and agreed to by the related parties. There were no contractual or other commitments from the related party transactions. The amounts due to related parties are unsecured, non-interest bearing and have no specific terms for repayment.

11. COMMITMENTS AND CONTINGENCIES

As at June 30, 2016, the Company had the following commitments that have not been disclosed elsewhere in these consolidated financial statements:

	Not later than 1 year	Later than 1 year and not later than 5 years	Later than 5 years	**Total**
	$	$	$	$
Rent of office spaces (net of subleases)	167	172	-	**339**

A former officer of Lithium Americas' employment was terminated in 2013 and subsequently filed a statement of claim with a labour court in the Province of Mendoza, Argentina against the Company's Argentine subsidiary, Minera Exar, and the Company, for approximately 5.3 million Argentine pesos for severance and other labour-related payments allegedly due to the officer. The Company rejected the former officer's case and any liability with regard to the claims and counts made in such action. In March 2016, the Mendoza court issued a judgement favorable to the Company and as a result the Company removed a previously recorded provision of $544 from its accounts payable and accrued liabilities. The $544 gain is included in other items on the Company's statement of comprehensive income/(loss).

(Expressed in thousands of US dollars, except for per share amounts and shares in thousands)

12. EXPLORATION EXPENDITURES

The following tables summarize the Company's exploration expenditures during the periods ended June 30, 2016 and 2015:

	For the nine months ended June 30, 2016		
	Lithium Nevada $	Cauchari-Olaroz[1] $	Total $
Engineering	-	82	82
Environmental	58	-	58
Geological and consulting	994	454	1,448
Field supplies, other services, and taxes	101	440	541
Lithium demo plant equipment depreciation	84	-	84
Total exploration expenditures	1,237	976	2,213

[1] Exploration expenditures prior to the Joint Venture on the Cauchari-Olaroz project.

	For the nine months ended June 30, 2015	
	Lithium Nevada $	Total $
Engineering	78	78
Environmental	19	5
Geological and consulting	1,291	1,291
Field supplies and other services	184	184
Total exploration expenditures	1,572	1,572

13. SEGMENTED INFORMATION

The Company operates in four reportable segments and four geographical segments. The Company's lithium projects (Lithium Nevada and Cauchari-Olaroz) are in the exploration stage and the organoclay project (Hectatone plant) is in the commissioning stage.

The Company's reportable segments are summarized in the following tables:

	Organoclay $	Lithium Nevada $	Cauchari-Olaroz $	Corporate $	Total $
As at June 30, 2016					
Capital assets	17,738	1,106	-	18	18,862
Exploration and evaluation assets	-	1,010	-	-	1,010
Total assets	18,844	2,533	17,673	14,795	53,845
Total liabilities	(1,341)	(285)	-	(630)	(2,256)
For the three months ended June 30, 2016					
Net loss	645	674	28	2,419	3,766
Exploration expenditures	-	284	-	-	284
Organoclay research and development	104	-	-	-	104
For the nine months ended June 30, 2016					
Net loss	1,228	1,837	1,428	13,911	18,404
Exploration expenditures	-	1,237	976	-	2,213
Organoclay research and development	320	-	-	-	320

(Expressed in thousands of US dollars, except for per share amounts and shares in thousands)

13. SEGMENTED INFORMATION (continued)

	Organoclay	Lithium Nevada	Cauchari-Olaroz	Corporate	Total
	$	$	$	$	$
As at September 30, 2015					
Capital assets	17,469	1,203	13	28	18,713
Exploration and evaluation assets	-	958	41,665	-	42,623
Total assets	18,159	2,564	41,921	5,897	68,541
Total liabilities	(1,377)	(314)	(304)	(5,631)	(7,626)
For the three months ended June 30, 2015					
Net (income)/ loss	290	407	-	722	1,419
Exploration expenditures	-	332	-	-	332
Organoclay research and development	110	-	-	-	110
For the nine months ended June 30, 2015					
Net loss	855	2,039	-	2,459	5,353
Exploration expenditures	-	1,572	-	-	1,572
Organoclay research and development	328	-	-	-	328

The Company's total assets are segmented geographically as follows:

	As at June 30, 2016				
	Canada	United States	Germany	Argentina	Total
	$	$	$	$	$
Current assets	13,110	1,188	185	-	14,483
Capital assets	17	17,921	924	-	18,862
Exploration and evaluation assets	-	1,010	-	-	1,010
Restricted cash	-	150	-	-	150
Escrow deposit	1,667	-	-	-	1,667
Investment in joint venture	-	-	-	17,673	17,673
	14,794	20,269	1,109	17,673	53,845

	As at September 30, 2015				
	Canada	United States	Germany	Argentina	Total
	$	$	$	$	$
Current assets	5,870	756	187	242	7,055
Capital assets	28	17,664	1,008	13	18,713
Exploration and evaluation assets	-	958	-	41,665	42,623
Restricted cash	-	150	-	-	150
	5,898	19,528	1,195	41,920	68,541

(Expressed in thousands of US dollars, except for per share amounts and shares in thousands)

14. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Supplementary disclosure of the Company's significant non-cash investing and financing transactions is provided in the table below:

	For the nine months ended June 30,	
	2016	2015
	$	$
Accounts payable related to capital assets	-	285
Assets acquired under finance leases	-	97
Accounts payable related to inventories	25	-
Accounts payable related to financings	263	116
Accounts payable related to convertible security funding	-	72
RS's granted in lieu of deferred salaries and directors' fees	80	-
Interest/finance charges paid	48	53
Income taxes paid	-	-

15. FINANCIAL INSTRUMENTS

Financial instruments recorded at fair value on the condensed consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for assets or liabilities, either directly or indirectly; and
Level 3 – Inputs for assets and liabilities that are not based on observable market data.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. The Company did not have any financial instruments measured at fair value on the statement of financial position.

The Company may be exposed to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives. The Company manages risks to minimize potential losses. The main objective of the Company's risk management process is to ensure that the risks are properly identified and that the capital base is adequate in relation to those risks. The principal risks to which the Company is exposed are described below.

Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash, cash equivalents and receivables. The Company's maximum exposure to credit risk for cash and cash equivalents is the amount disclosed in the consolidated statements of financial position. The Company limits its exposure to credit loss by placing its cash and cash equivalents with major financial institutions and invests only in short-term obligations that are guaranteed by the Canadian government or by Canadian and US chartered banks.

(Expressed in thousands of US dollars, except for per share amounts and shares in thousands)

15. FINANCIAL INSTRUMENTS *(continued)*

Credit Risk (continued)

Included in the receivables, prepaids and deposits are credit sales receivables of $135 and value-added tax of $185 on purchases of equipment for the lithium demonstration plant in Germany. Value-added tax balances are recorded at their estimated recoverable amounts within current assets and reflect the Company's best estimate of their recoverability under existing tax rules in the respective jurisdictions. Management's assessment of recoverability involves judgments regarding classification on the consolidated statements of financial position and the probable outcomes of claimed deductions and/or disputes. The provisions and classifications made to date may be subject to change.

The Company's receivables, prepaids and deposits include a $114 bank deposit for the Company's secured credit cards and other miscellaneous receivables that are subject to normal industry credit risk.

Management believes that the credit risk concentration with respect to financial instruments included in cash, cash equivalents and receivables is minimal.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to evaluate current and expected liquidity requirements under both normal and stressed conditions to ensure that it maintains sufficient reserves of cash and cash equivalents to meet its liquidity requirements in the short and long term. As the industry in which the Company operates is very capital intensive, the majority of the Company's spending is related to its capital programs. The Company prepares annual budgets, which are regularly monitored and updated as considered necessary.

As at June 30, 2016, the Company had a cash and cash equivalents balance of $12,237 (2015 - $5,552) to settle current liabilities of $1,099 (2015 - $6,215).

The following table summarizes the maturities of the Company's financial liabilities on undiscounted basis:

	Years ending September 30,			
	2016	2017	2018 and later	Total
	$	$	$	$
Accounts payable and accrued liabilities	934	-	-	934
Long-term borrowing[1]	43	172	1,006	1,221
Obligation under finance leases[1]	12	48	84	144
Total	989	220	1,090	2,299

[1]*Long-term borrowing and obligation under capital leases include principal and interest/finance charges.*

Market Risk

Market risk incorporates a range of risks. Movement in risk factors, such as market price risk and currency risk, affect the fair values of financial assets and liabilities. The Company is exposed to these risks as the ability of the Company to develop or market its property and the future profitability of the Company are related to the market price of certain minerals.

Foreign Currency Risk

The Company incurs expenditures in Canadian dollars ("CDN$"), US dollars ("US$"), Euros ("€"), and Argentinian pesos ("ARS") with the majority of the expenditures being incurred in US$ by the Company's subsidiaries.

LITHIUM AMERICAS CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE NINE MONTHS ENDED JUNE 30, 2016

Background

Effective March 22, 2016, Western Lithium USA Corp. changed its corporate name to Lithium Americas Corp. ("Lithium Americas", the "Company" or "LAC"). This Management's Discussion and Analysis ("MD&A"), prepared as of August 8, 2016, should be read in conjunction with the condensed consolidated interim financial statements ("financial statements") and the notes thereto of Lithium Americas Corp. for the nine months ended June 30, 2016, and the audited annual consolidated financial statements and the notes thereto of the Company for the year ended September 30, 2015, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. Refer to Notes 2 and 3 of the audited annual consolidated financial statements for the year ended September 30, 2015, for disclosure of the Company's significant accounting policies.

Company Overview

Lithium Americas is a Canadian based resource company focused on the development of two significant lithium development projects: the Cauchari-Olaroz project, located in Jujuy province of Argentina, and the Lithium Nevada project (formerly the Kings Valley project), located in north-western Nevada, USA. On March 28, 2016, the Company signed a definitive agreement with SQM POTASIO S.A., a subsidiary of Sociedad Quimica y Minera de Chile S.A. ("SQM") to enter into a 50/50 joint venture (the "Joint Venture") on the Cauchari-Olaroz project. The Cauchari-Olaroz project is a lithium brine mineral project. The property has been the subject of resource estimation and a feasibility study in which it is reported to host reserves of approximately 2.7 million tonnes of lithium carbonate equivalent ("LCE") at a lithium cut-off grade of 354 milligrams per litre, and a mine development plan that contemplates production of 20,000 tonnes per year of LCE. The Lithium Nevada project is a smectite clay-based lithium project and has been the subject of extensive exploration and development work.

For both projects, the Company is investigating innovative lithium extraction and processing technologies, and pursuing strategic alternatives with a view to securing near-term financing and development. The Company is advancing both of its projects for the extraction of lithium to produce lithium carbonate that is primarily intended for the lithium battery sector. The Company is also studying the production of lithium hydroxide which is also used in the lithium battery sector. Lithium Americas intends to make its lithium business a significant contributor to the global lithium supply chain.

In addition, the Company's plant facility located in Fernley, Nevada, USA was constructed to manufacture specialty organoclay products ("Hectatone™" products), derived from hectorite and other clays. The plant was considered to be completed and ready for intended use on April 1, 2016. Hectatone™ specialty organoclay products, derived from the Company's hectorite clay and other clays, are used by the oil and gas industry as specialty viscosifier additives for drilling fluids and in other sectors. The first shipment of Hectatone™ products commenced in January 2015. Hectatone's hectorite clay mine is referred to as the Lithium Nevada Clay Project ("LNC Project"). The LNC Project is located on a portion of the property comprising the Lithium Nevada project.

The Company's head office is located at Suite 1100-355 Burrard Street, Vancouver, BC, Canada, V6C 2G8. Effective March 30, 2016, the Company trades in Canada on the Toronto Stock Exchange under the symbol "LAC" (previously "WLC") and in the US on OTCQX under the symbol "LACDF". The Company operates in the United States through its wholly owned subsidiaries, Lithium Nevada Corp. (formerly Western Lithium Corp.) and Hectatone Inc and in Argentina through Minera Exar S.A. ("Minera Exar" or "Minera"), the Joint Venture with SQM on the Cauchari-Olaroz project. Additional information relating to the Company is available on SEDAR at www.sedar.com.

Description of Business

<u>Cauchari-Olaroz Project, Jujuy Province, Argentina</u>

The Joint Venture with SQM began to advance the Cauchari-Olaroz project immediately after the closing of the transaction on March 28, 2016, and the operating team has already made significant progress on the work plan. The Joint Venture is strongly committed to advancing the Cauchari-Olaroz project as expediently as possible. Local investment has already started with plans to scale up as the site is prepared for the construction phase. The Joint Venture has commenced hydrology and a work plan to update the feasibility study on the project. In the updated study the parties are analyzing a targeted annual production capacity of up to 40,000 tonnes per year of lithium carbonate equivalent and an approximate two year development timeline to production.

The Company expects that Jujuy will become an important center for the production of lithium in the near future. Jujuy Province officials and the representatives of federal government have indicated strong support. The Project is expected to provide many benefits to the local communities in terms of employment and supply contracts.

Political and Economic Changes in Argentina

The Argentine economy underwent significant positive changes in the first quarter of 2016 as a results of measures that the new government has taken to reduce or remove controls and restrictions on capital flows. Since taking office in December 2015, President Mauricio Macri has moved swiftly to appoint a business-friendly cabinet and implement a series of major fiscal, political and regulatory policy measures. President Macri lifted foreign exchange controls that had been in place since 2011, and abolished export taxes on many agricultural and industrial goods, including lithium. These are important indications of a very strong future for international investments and mining industry in Argentina.

<u>Lithium Nevada Project, Nevada, USA</u>

The Company is advancing its lithium project to extract lithium from its clay at its Lithium Nevada project. During the nine months ended June 30, 2016, the Company completed the most recent pilot plant program at its demonstration plant in Germany. This work has greatly increased the Company's understanding of the processing and engineering requirements for the production of lithium products from the Lithium Nevada Project. In light of the recent results, the Company has determined that additional specific engineering work will be required to optimize the front end of the process to produce a clean and concentrated lithium brine on a commercial scale. In addition, the Company has become aware of recent technological advancements in producing lithium compounds from brines, and believes these innovative and sustainable technologies warrant further review for potential incorporation into the Nevada processing plant design. As a result of these additional reviews, the Company has determined that its pre-feasibility study completed in March 2012 is no longer current and the Company will no longer be relying on the study for its project development planning.

On June 22, 2016, the Company filed on Sedar an updated 43-101 technical report on Lithium Nevada project and reported that mineral resource estimates remained unchanged from the mineral resource estimates disclosed in prior technical reports.

The Company is in the process of trying to determine the optimal path to advance Lithium Nevada project to achieve long-term success. The Lithium Nevada project hosts one of the largest lithium resources in North America. There is strong local and national support from both commercial and political bases to advance a Nevada based project. A clear and well-defined permitting path exists. Lithium Americas shares the vision of making Nevada a center of renewable energy and sustainable mining technologies. The Company is committed to advancing Lithium Nevada project on the fastest timetable possible, as dictated by further studies and market conditions and is continuing the pilot tests in Germany, additional engineering work and pursuing strategic partnership opportunities to advance the project on a timely basis.

Description of Business (continued)

Organoclay Business

The organoclay plant, operated by the Company's wholly-owned subsidiary Hectatone, located in Fernley, Nevada, was considered to be completed and ready for intended use on April 1, 2016, accordingly, revenues and costs of sales are recorded in respect of these operations commencing April 1, 2016. Prior to April 1, 2016, sales of organoclay product amounted to US$688,000 and have been accounted for as a reduction of the capitalized costs of organoclay plant capital asset. From April 1 to June 30, 2016 the Company reported US$168,000 in revenues and gross loss of US$309,000 from the sale of organoclay products.

In addition to clays for use in the oil and gas sector, Hectatone is now a certified vendor with a Fortune 500 industrial group to sell Hectabind™ products internationally to the animal feed market as mycotoxin binders. Hectatone is also collaborating with industry participants on a specialty organophilic clay product for environmental applications. The product will service the existing market to remove organic compounds from industrial wastewater effluent. The Company's hectorite-based Hectagel product is also being tested by a chemical supplier to be used for industrial applications.

In April 2016, Hectatone entered into a strategic alliance with TOLSA, S.A. ("TOLSA"), a global leader in the specialized clay sectors. Hectatone and TOLSA have signed a non-exclusive Memorandum of Understanding ("MOU") for the purpose of forming a strategic alliance to collectively pursue growth opportunities in the global clay minerals markets. The MOU contemplates a number of areas of collaboration, including a planned long-term supply agreement of Hectatone's hectorite clay from its Nevada resource to TOLSA for the manufacture of high purity hectorite-based products.

Significant Events (beginning of fiscal year to date)

- On June 22, 2016, the Company announced filing of an updated National Instrument 43-101 technical report dated May 31, 2016 on the Lithium Nevada project. In the report, the authors confirm the mineral resource estimates on the Stage I Lens and Stage II Lens remain unchanged from the mineral resource estimates disclosed in prior technical reports and LAC's recent continuous disclosure filings.

- On May 2, 2016, the Company announced that Dr. David S. Deak has joined the Company as Chief Technical Officer ("CTO") and Senior Vice President, and President of Lithium Nevada Corp. Dr. Deak is well known within the lithium and battery materials industry and most recently led strategic development projects focused on battery manufacturing and supply chain activities, including lithium supply.

- On April 11, 2016, the Company announced that Hectatone entered into a strategic alliance with TOLSA, S.A. ("TOLSA"), a global leader in the specialized clay sectors, for the purpose of forming a strategic alliance to collectively pursue growth opportunities in the global clay minerals markets.

- On March 30, 2016, the Company announced re-election of Thomas Hodgson, George Ireland, John Kanellitsas, John Macken, and Franco Mignacco to the Board of Directors and appointment of three new Directors, Nicole Adshead-Bell, Gabriel Marcelo Rubacha and Lenard F. Boggio. The restructured Board of Directors has a very strong expertise in corporate governance, mining, project development, finance and government and community relations.

- On March 28, 2016, the Company signed a definitive agreement with SQM to enter into a 50/50 Joint Venture on the Cauchari-Olaroz project. SQM contributed US$25 million in exchange for a 50% equity interest in Minera Exar. SQM is a world leader in lithium production with decades of development and operating experience and a strong technical and commercial team.

Significant Events (continued)

- On March 22, 2016, the Company announced a name change from Western Lithium USA Corp. to Lithium Americas Corp. and the name of its Nevada-based wholly-owned subsidiary was changed to Lithium Nevada Corp. from Western Lithium Corp. The name of Kings Valley project was changed to Lithium Nevada project and Mr. Kanellitsas was appointed as a new President of the Company effective March 30, 2016.

- On December 29, 2015, the Company announced that further to a non-brokered private placement with an affiliate of Bangchak Petroleum Public Company Limited ("Bangchak"), Bangchak has agreed to convert its remaining subscription receipts into common shares of the Company and release from escrow to the Company the final tranche of US$3.5 million. This brings the total investment by Bangchak into the common shares of the Company to US$5 million.

- On December 15, 2015 the Company completed the US$5 million Line of Credit Agreement with its largest shareholder, Geologic Resource Partners LLC. The Company did not draw down any funds under this facility, paid no interest and cancelled the facility post completion of the Joint Venture with SQM.

- On November 17, 2015 the Company announced a post-merger integration and organization update, the appointment of Tom Hodgson as CEO, John Kanellitsas as Vice-Chairman and George Ireland, Founder, Chief Investment Officer and CEO of Geologic Resource Partners LLP, the Company's largest shareholder, joined the Company's Board of Directors.

The following financial information is presented in thousands of US dollars and shares in thousands, unless otherwise stated and except per share amounts.

Summary of Selected Quarterly Results

	2016			2015				2014
	Q3 US$	Q2 US$	Q1 US$	Q4 US$	Q3 US$	Q2 US$	Q1 US$	Q4 US$
Total assets	53,845	57,664	57,876	68,541	27,572	20,072	21,476	24,354
Exploration and evaluation assets	1,010	1,010	31,361	42,623	508	508	458	456
Investment in Joint Venture	17,673	18,163	-	-	-	-	-	-
Capital assets	18,862	19,164	18,932	18,713	18,383	17,892	17,248	15,933
Working capital	13,384	13,667	2,532	840	4,595	427	2,571	6,050
Organoclay sales revenue	168	-	-	-	-	-	-	-
Organoclay sales capitalized during the development stage	156	307	99	126	-	-	-	-
Expenses	(3,276)	(2,742)	(2,707)	(1,546)	(1,263)	(1,461)	(2,333)	(2,165)
Net loss for the period	(3,766)	(11,365)	(3,272)	(2,202)	(1,419)	(1,569)	(2,365)	(2,173)
Basic loss per common share	(0.01)	(0.03)	(0.01)	(0.06)	(0.01)	(0.01)	(0.02)	(0.02)
Diluted loss per common share	(0.01)	(0.03)	(0.01)	(0.06)	(0.01)	(0.01)	(0.02)	(0.02)

Quarterly amounts added together may not equal to the total reported for the period due to rounding or reclassifications.

Summary of Selected Quarterly Results (continued)

Total Assets

The Company's total assets decreased in Q3 2016, mostly due to general and administrative expenses incurred during the quarter, repayment of the convertible security note, the decrease in the investment in the Joint Venture as a result of change in Argentinian peso/US$ exchange rate, and decrease in payables and accrued liabilities, offset by proceeds from stock options and warrants exercises.

The Company's total assets increased by $40,969 in Q4 2015 compared to Q3 2015 mainly due to the acquisition costs of $41,665 allocated to the Cauchari-Olaroz project as a result of Lithium Americas and Western Lithium merger in September 2015.

The Company's total assets increased by $7,500 in Q3 2015 compared to Q2 2015 due to net proceeds of $5,827 from a bought deal offering, net proceeds of $2,613 from a convertible security financing, offset by cash expenses of $1,159. The Company's total assets decreased by $1,404 in Q2 2015 mainly due to cash expenses of $1,284. The Company's total assets decreased by $2,878 in Q1 2015 mainly due to cash expenses of $2,071.

Exploration and Evaluation Assets

There were no changes in exploration and evaluation assets in Q3 2016. Exploration and evaluation assets decreased in Q2 2016 mainly due to the declining Peso and accounting for the Joint Venture with SQM.

In Q1 2016, the significant decrease in the carrying amount of the Company's Cauchari-Olaroz project cost is due to the significant foreign exchange rate fluctuation for Argentinian pesos.

In Q4 2015, the Company capitalized $452 related to the annual claim fees paid to BLM for the Lithium Nevada project and recorded additions of $41,665 net of $251 for foreign exchange differences for the Cauchari-Olaroz project.

In Q4 2014, the Company capitalized $456 to exploration and evaluation assets, mainly related to the annual claim fees paid to BLM for the Lithium Nevada property.

Investment in Joint Venture

The Company's share of the Joint Venture expenditures in Q3 2016 was $28. The investment in the Joint Venture is dominated in Argentinian pesos ("Pesos") and translated for reporting purposes to US$ at spot rate at the end of each reporting period. The peso weakened from $14.60 per US$1 on March 31, 2016 to $14.94 per US$1 on June 30, 2016. As a result of the declining Peso, the investment in Joint Venture was reduced by $462 in Q3 2016.

The increase in the investment in the Joint Venture in Q2 2016 is due to the completion of the joint venture transaction with SQM which closed on March 28, 2016.

Capital Assets

The Company's Hectatone plant was considered to be completed and ready for use on April 1, 2016, accordingly, revenues and costs of sales are recorded in respect of these operations commencing April 1, 2016. The decrease in capital assets in Q3 2016 was mostly due to the depreciation expense for Hectatone plant and the plant equipment, and for the Lithium Demo plant.

The following financial information is presented in thousands of US dollars and shares in thousands, unless otherwise stated and except per share amounts.

Summary of Selected Quarterly Results (continued)

Working Capital

There were no significant change in the Company's working capital in Q3 2016.

The increase in working capital of $11,135 in Q2 2016 is mostly attributable to the $13,333 receivable from the Joint Venture, offset by operating expenses, additions to capital assets, exploration and evaluation assets and decrease in accounts payable and accrued liabilities.

The increase in working capital of $1,692 in Q1 2016 was mostly attributable to the net proceeds of $3,310 from the subscription receipts issued to Bangchak offset by operating expenses, additions to capital assets and exploration assets.

The decrease in working capital of $3,755 in Q4 2015 compared to Q3 2015 was mostly due to net proceeds of $1,330 from a subscription receipts financing, and addition of consolidated cash and other current assets as a result of Western Lithium and Lithium Americas merger, offset by operating expenses, convertible securities, repayment of long-term borrowing, lease payments, additions to capital assets and payables of Lithium Americas on the day of the merger.

The increase in working capital in Q3 2015 compared to Q2 2015 was mostly due to the net proceeds of $5,891 from a bought deal offering, offset by operating expenses, convertible security, additions to capital assets, repayments of long-term borrowing and capital leases payments. The decrease in working capital in Q2 2015 compared to Q1 2015 and in Q1 2015 compared to Q4 2014 were mostly due to the acquisition of capital assets and operating expenses.

Organoclay Sales Revenue

In Q3 2016, organoclay sales were $324 of which $156 related to the inventory produced in the development phase prior to April 1, 2016, and have been accounted for as a reduction of the capitalized costs and $168 recorded as organoclay sales revenue in the statement of comprehensive (loss)/income. In Q2 2016, the Company capitalized $307, in Q1 2016 capitalized $99, and in fiscal 2015 capitalized $126 of organoclay sales.

Expenses and Net (Loss)/Income

The increase in the Company's expenses from $2,742 in Q2 2016 to $3,279 in Q3 2016 was primarily due to the increase in stock-based compensation, of which $1,272 relates to the fair market value of restricted shares ("RS's). The decrease in the exploration expenditures is mainly due to the decrease in expenditures related to the timing of lithium demonstration plant campaign in Germany. Also, included in Q2 2016 exploration expenditures were $466 for Cauchari-Olaroz project expenditures. Starting on March 28, 2016, the Joint Venture formation date, the Company started to account for its share of the Cauchari-Olaroz project expenditures under the equity method of accounting and recording them as share of loss in Joint Venture. In Q3 2016, the Company recorded convertible security accretion expense of $140.

In Q2 2016, the Company realized a loss of $8,979 on the sale of a 50% of its equity interest in Minera Exar to SQM mainly due to $15,093 of cumulative amount of exchange differences ("CTA") in Minera Exar. In March 2016, the Company received a favourable court judgement on ongoing litigation between the Company and a former senior officer of the Company and reversed a previously recorded provision of $544 included in accounts payable and accrued liabilities and recorded the reversal as a gain in other income (loss). In March 2016, the Company cancelled a $5,000 line of credit and expensed a $75 execution fee which was included in other income/(loss).

The following financial information is presented in thousands of US dollars and shares in thousands, unless otherwise stated and except per share amounts.

Summary of Selected Quarterly Results (continued)

Expenses and Net (Loss)/Income (continued)

In Q1 2016 expenses increased by $1,161 compared to Q4 2015 mainly due to increase in Lithium Nevada exploration expenditures of $263, increase in the Cauchari-Olaroz project exploration expenditures of $409, increase in salaries and benefits of $130, and increase in stock-based compensation expense of $325 for the options granted in the quarter. In Q4 2015, the Company reported one month of the Cauchari-Olaroz project expenditures vs three months of expenditures in Q1 2016. The increase in the salaries and benefits during the Q1 2016 is mainly due to the additions to the Company's management team due to the increase in activities.

In Q4 2015 expenses increased by $283 compared to Q3 2015 mainly due to increase in professional fees of $107 and exploration expenditures of $183 related to the additon of the Cauchari – Olaroz project during the quarter.

In Q3 2015 expenses decreased by $150 compared to Q2 2015 mainly due to a decrease in exploration expenditures of $115 and stock based compensation expense of $74.

In Q2 2015 expenses decreased by $872 compared to Q1 2015 mainly due to the decrease in exploration expenditures of $346, professional fees of $78, stock based compensation expense of $84, and salaries and benefits of $282. Q1 2015 expenses increased by $168 compared to Q4 2014 mainly due to the increase of $232 in wages and benefits, offset by a $192 decrease in stock-based compensation and a decrease of $98 in exploration expenditures. Increases in all expense categories in Q1 2015 compared to Q4 2014 was due to an increase in corporate activities.

Fluctuations in expenses from quarter to quarter for other presented periods were mainly due to changes in exploration activities and stock-based compensation expense.

Results of Operations – Three Months Ended June 30, 2016

For the three months ended June 30, 2016, the Company reported a loss of $3,766 compared to a loss of $1,419 for the three months ended June 30, 2015, of which $309 loss (Q3 2015 - $Nil) is attributed to Hectatone's products sales, $3,276 (Q3 2015 - $1,263) is attributed to expenses, $181 (Q3 2015 - $156) is attributed to other items discussed in the summary of the quarterly results.

Organoclay Sales and Cost of Goods Sold

Hectatone plant was considered to be completed and ready for intended use on April 1, 2016. Accordingly, the Company started recording revenues and costs of sales in respect of these operations in the statement on comprehensive (loss)/income commencing April 1, 2016. The organoclay sales revenue in Q3 2016 was $168 (Q3 2015-$Nil) and related production costs of $208 (Q3 2015 - $Nil) , depreciation expense of $60 (Q3 2015 - $Nil), and inventory write down to net realizable value of $208 (Q3 2015 - $Nil) resulting in gross loss from Hectatone's products sales of $309.

Expenses

Exploration expenditures of $284 (Q3 2015 – $332) for the Lithium Nevada project includes $41 (Q2 2015 - $119) related to the lithium demonstration plant.

Loss from the Joint Venture of $28 (Q3 2015 - $Nil) represents the Company's share of the Joint Venture expenses for the Cauchari-Olaroz project. Included in Q3 2016 share of the Joint Venture expenditures was $147 foreign exchange gain on translation of Minera Exar's US$ cash to AR$. The peso weakened from $14.60 per US$1 on March 31, 2016 to $14.94 per US$1 on June 30, 2016.

The following financial information is presented in thousands of US dollars and shares in thousands, unless otherwise stated and except per share amounts.

Results of Operations – Three Months Ended June 30, 2016 (continued)

Stock-based compensation of $1,571 (Q3 2015 - $94) is a non-cash expense and consists of the $300 estimated fair value of stock options vested during the period and the $1,271 fair market value of restricted shares. Stock-based compensation expense related to stock options is accounted for at fair value as determined by the Black-Scholes Option Pricing Model using estimates and assumptions that are believed to approximate the volatility of the trading price of the Company's stock, the expected lives of awards of stock-based compensation, the fair value of the Company's stock and the risk-free interest rate. The increase in this expense is due to a new stock options grant in Q3 2016. Stock-based compensation expense related to restricted shares is accounted for at fair market value on the date of grant. Stock-based compensation expense varies from period to period based on the number and valuation of the stock options and restricted shares granted during the period, vesting provisions, and an amortization schedule of previously granted stock options and restricted shares.

Included in General and Administrative expenses of $1,289 (Q3 2015 - $727):

- Marketing expenses of $163 (Q3 2015 - $136) include salaries, travel expenses, and other miscellaneous expenses of Hectatone's marketing staff;

- Office expenses of $122 (Q3 2015 – $146) include Vancouver, Reno and Toronto office rent, insurance, IT, telephone and other related expenses and general office expenses;

- Professional fees of $147 (Q3 2015 - $35) consist of legal fees of $59 (Q3 2015 - $14), consulting fees of $49 (Q3 2015 - $4), public relations fees of $11 (Q3 2015 - $6), and accounting fees of $28 (Q3 2015 - $11). The increase in all categories is due to an increase in corporate activities.

- Salaries and benefits of $488 (Q3 2015 – $302) include salaries and benefits for the Company's employees. The increase is due to due to an increase in a number of employees as a result of increase in activities and the merger of Western Lithium and Lithium Americas in September 2015.

Convertible security accretion expense of $140 (Q3 2015 - $104). In Q3 2016, the Company repaid the remaining balance of the convertible security note.

Results of Operations – Nine Months Ended June 30, 2016

For the nine months ended June 30, 2016, the Company reported total comprehensive loss of $18,449 compared to a total comprehensive loss of $5,545 for the nine months ended June 30, 2015, of which $309 is attributable to loss realized on Hectatone products sales, $8,652 (2015 - $5,057) to expenses, $9,443 loss (2015 - $296) to other items discussed in the quarterly results, $15,093 of accumulated foreign exchange losses related to Minera Exar were reclassified from other comprehensive income into profit or loss and formed part of a loss on sale of the 50% interest in Minera Exar.

Exploration expenditures of $2,213 (2015 – $1,572) include $35 (2015 - $127) for the Lithium Nevada hectorite mine, $1,200 (2015 - $1,445) for the Lithium Nevada project, and $976 (2015 - $Nil) for the Cauchari-Olaroz project. Included in the Lithium Nevada expenditures is $693 (2015 - $1,020) related to the lithium demonstration plant.

Included in General and Administrative expenses of $3,754 (2015 - $2,643):

- Marketing expenses of $494 (2015 - $367) include salaries, bonuses, and expenses incurred for the marketing of Hectatone products.

- Office expenses of $432 (2015 - $491) includes Vancouver, Reno, and Toronto office rent, insurance, IT, telephone and other related expenses and general office expenses at the organoclay plant office.

The following financial information is presented in thousands of US dollars and shares in thousands, unless otherwise stated and except per share amounts.

Results of Operations – Nine Months Ended June 30, 2016 (continued)

- Professional fees of $467 (2015 - $191) consist of legal fees of $221 (2015 – $78), consulting fees of $149 (2015 - $58), public relations fees of $23 (2015 - $18), and accounting fees of $74 (2015 - $37). The increase in all categories is due to an increase in corporate activities.

- Salaries and benefits of $1,540 (2015 - $1,160) were higher mainly due to an increase in a number of employees as a result of the merger of Western Lithium and Lithium Americas in September 2015 and increase in activities. Included in 2015 salaries and benefits were bonuses paid at the end of 2014.

In Q2 2016 The Company realized a loss of $8,979 on the sale of a 50% of its equity interest in Minera Exar to SQM mainly due to $15,093 of cumulative amount of exchange differences ("CTA") in Minera Exar and incurred additional costs of $31 in Q3 2016 for the total loss of $9,010.

During the nine months ended June 30, 2016, the Company recorded a reduction of its Cauchari-Olaroz property acquisition cost of $14,874 due to a change in foreign currency exchange rate with a correspondent increase in other comprehensive loss. The 50% of equity interest in Minera Exar was sold to SQM and the remaining 50% of Minera Exar's net assets was recorded at costs as an initial contribution to Joint Venture reducing the Cauchari-Olaroz property acquisition cost to $Nil. Upon disposal of a 50% equity interest in Minera Exar, the entire amount of CTA was reclassified from other comprehensive loss to profit and loss (see description under "Expenses and Net (Loss)/Income" above).

Liquidity and Capital Resources

Cash Flow Highlights	**Nine months ended June 30,**	
	2016 **$**	2015 $
Cash used in operating activities	**(8,019)**	(4,768)
Cash provided by/(used) in investing activities	**11,104**	(3,287)
Cash provided by/(used) in financing activities	**3,319**	8,782
Effect of foreign exchange on cash	**281**	(383)
Increase in cash	**6,685**	344
Cash and cash equivalents - beginning of period	**5,552**	7,160
Cash and cash equivalents - end of period	**12,237**	7,504

As at June 30, 2016, the Company had cash of $12,237 and working capital of $13,384 compared to $5,552 cash and working capital of $840 on September 30, 2015.

In January 2016, the Company received $3,500 from the Bangchak non-brokered private placement of subscription receipts.

In April 2016, the Company received $14,754 from the Joint Venture, net of $246 transaction costs.

In June 2016, the Company repaid the remaining balance of $1,653 related to convertible security.

The Company will require additional working capital to continue development of its Hectatone business and for further development of its lithium projects. The Company's capital resources are largely determined by the strength of the junior resource markets and by the status of the Company's projects in relation to these markets, and its ability to compete for investor support of its projects. There can be no assurance that the Company will be successful in obtaining the required financing to develop its projects.

The following financial information is presented in thousands of US dollars and shares in thousands, unless otherwise stated and except per share amounts.

Liquidity and Capital Resources (continued)

Except as disclosed, the Company does not know of any trends, demands, commitments, events or uncertainties that will result in, or that are reasonably likely to result in, its liquidity and capital resources either materially increasing or decreasing at present or in the foreseeable future. Material increases or decreases in liquidity and capital resources are substantially determined by the success or failure of the exploration and development programs.

The Company does not know nor does it expect in the future to engage in currency hedging to offset any risk of currency fluctuations.

Financings

Bangchak Financing

The Company received $5,000 from a non-brokered private placement of common shares with Bangchak. Pursuant to the placement, $1,500 was received in fiscal 2015 and $3,500 was received during the nine months ended June 30, 2016.

June 2015 Bought Deal Offering

In June 2015, the Company completed a bought deal offering. The offering consisted of 11,414 units of the Company (the "Units") at a price of CDN$0.70 per unit for aggregate gross proceeds of $6,487.

The Company used the proceeds from the offering as follows:

USE OF PROCEEDS	12-MONTHS BUDGET AMOUNT (as reported in the June 2015 Prospectus) in CDN$, millions	12-MONTHS BUDGET AMOUNT (as reported in the June 2015 Prospectus) in US$, millions(1)	12-MONTHS ACTUAL EXPENDITURES in US$, millions
Hectatone plant inventory acquisition, production inputs, operating expenses:	1.2	1.0	2.1(3)(4)
Lithium Nevada Demonstration Plant trials	1.0	0.8	0.7
Lithium Nevada project:			
Lithium Nevada project annual claim fees (2 years)	1.0	0.8	0.5
Lithium hydroxide studies and testing	0.25	0.2	0.5
Engineering and optimization studies	0.75	0.6	-
General and administration	3.0	2.4	2.6(2)(4)
Total	**$7.2**	**$5.0**	**$6.4**

(1)Amounts determined using June 9, 2015 exchange rate of CDN$1=US$0.8119
(2)Does not include line of credit fee and transaction costs.
(3) Increase is due to longer than budgeted start-up stage of Hectatone plant.
(4) The amount of $1.4 million that exceeded the budgeted amount was financed by the Company from the proceeds of subsequent equity financing and convertible security.

Convertible Security

In May 2015, the Company received $2,800 under the convertible security funding agreement, net of prepaid interest of $560 and financing fee of $140, and issued a convertible security with a face value of $3,500. The convertible security has a two-year term from the date of issue and incurs a simple prepaid interest rate of 10% on the amount of funding. The Company has provided a second lien on its Organoclay plant as a security for the convertible security. In June 2016, the Company repaid the remaining balance of $1,653 related to convertible security note and removed the second lien on the plant.

Operating Activities

Cash used in operating activities during the nine months ended June 30, 2016, was $8,019 compared to $4,768 net cash used during the nine months ended June 30, 2015. The significant components of operating activities are discussed in the Results of Operations sections.

Investing Activities

Investing activities provided cash of $11,104 during the nine months ended June 30, 2016, compared to $3,287 cash used during the nine months ended June 30, 2015. The cash used in investing activities during the nine months ended June 30, 2016, was mainly for the additions to capital assets of $534 (2015 - $3,228), additions to exploration and evaluation assets of $523 (2015 - $52). The cash received from investing activities relate to the investment in Joint Venture.

Investment in Joint Venture

On March 28, 2016, the Company announced a definitive agreement with SQM to enter into 50/50 joint venture on the Cauchari-Olaroz lithium project in Jujuy, Argentina. SQM contributed $25,000 to Minera Exar, a wholly owned subsidiary of Lithium Americas, in exchange for a 50% equity ownership in Minera Exar. Following receipt of the contribution, Minera Exar repaid loans and advances from Lithium Americas in the amount of $15,000 and the remaining $10,000 is to be used by the Joint Venture for certain project development costs. The $14,754, net of tax payments, was received from Minera Exar in April 2016. In Q2 2016, the Company recorded $8,979 loss on sale of its 50% equity interest in Minera Exar and in Q3 2016 recorded additional related expenses of $31, resulting in a total loss of $9,010.

SQM and the Company entered into Escrow Agreement, according to which the Company deposited $2,500 (the "Escrow Amount") into an escrow account. Subject to certain provisions, the Escrow Amount will be released to the Company over the three years as follows: $833 on March 28, 2017, $833 on March 28, 2018, and $833 on March 28, 2019. The Escrow Amount can be used to pay certain contingent liabilities of Minera Exar, if any arise, related to the actions prior to the Joint Venture formation. The Company has also provided a guarantee for up to $354 in transaction related costs in the event that such costs arise in the future.

Financing Activities

During the period ended June 30, 2016, the Company received cash of $634 (2015 - $163) from the exercise of stock options, $958 (2015 - $86) from the exercise of warrants, repaid the convertible security note of $1,653 (2015 - $Nil), finance leases of $30 (2015 - $27), and long-term borrowing of $87 (2015 - $83).

During the period ended June 30, 2016, the Company received $3,500 from Bangchak subscription receipt financing and incurred $191 in related costs. Accounts payable and accrued liabilities related to the subscription receipts financing on June 30, 2016, were $262.

Current Share Data

As at the date of this report, the Company has 300,640 common shares issued and outstanding, 18,483 stock options outstanding, and 9,353 warrants.

The following financial information is presented in thousands of US dollars and shares in thousands, unless otherwise stated and except per share amounts.

Related Party Transactions

Prior to April 1, 2016 the Company paid its non-executive directors a fee of CDN$25 per year and an additional CDN$10 per year to the Company's Audit Committee Chair. Effective April 1, 2016, the Company revised the remuneration of its non-executive directors to a base annual fee of $35 per year and an additional $5 per year to a Committee Chair, $10 to the Company's Audit Committee Chair, and $25 to the Company's Board Chair. In addition, the Company will pay $1 per meeting in cash for Board meetings in excess of six meetings per year. The fees will be settled through a mixture of cash and the issuance of the DSU's with each board member obligated to receive a minimum of 50% and a maximum of 100% of all such compensation in DSU's.

The Joint Venture entered into an option purchase agreement with Grupo Minero Los Boros for the transfer of title to the Joint Venture on certain mining properties that comprised a portion of Cauchari-Olaroz project. The Vice-President of Los Boros is also a director of the Company.

The related party transactions incurred during the period ended June 30, 2016, were in the normal course of operations and were measured at the amount of consideration established and agreed to by the related parties. There were no contractual or other commitments from the related party transactions. The amounts due to related parties are unsecured, non-interest bearing and have no specific terms for repayment.

Commitments

As at June 30, 2016, the Company had the following commitments:

	Not later than 1 year	Later than 1 year and not later than 5 years	Later than 5 years	**Total**
	$	$	$	$
Rent of office spaces (net of subleases)	167	172	-	**339**

Other obligations and commitments are disclosed in Notes 4, 6, 7 and 8 of the Company's condensed consolidated interim financial statement for the period ended June 30, 2016.

Financial Instruments

Financial assets and liabilities are recognized when the company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

All of the Company's financial instruments are classified into one of two categories: loans and receivables, or other financial liabilities. All financial instruments are measured in the statement of financial position at fair value initially with the exception of certain related party transactions.

Subsequent measurement and changes in fair value will depend on their initial classification. Loans and receivables and other financial liabilities are measured at amortized cost.

Cash and receivables have been designated as loans and receivables and are included in current assets due to their short term nature. The Company's other financial liabilities include accounts payable and accrued liabilities, long-term borrowing, convertible security obligation, and obligations under finance leases. Accounts payable, accrued liabilities, convertible security obligation, and the current portion of long-term borrowing and finance leases that is due within twelve months from the financial statement reporting date are included in current liabilities due to their short-term nature. Long-term borrowing and obligations under finance leases are included in long-term liabilities due to their long-term nature.

The following financial information is presented in thousands of US dollars and shares in thousands, unless otherwise stated and except per share amounts.

Off-Balance Sheet Arrangements

The Company's off-balance sheet arrangements related to the exploration and evaluation assets are disclosed in notes 4 and 6 of the Company's condensed consolidated interim financial statements for the period ended June 30, 2016. The Company's reclamation bond arrangement is disclosed below.

Decommissioning Provision and Reclamation Bonds

The Company estimated the fair value of the liability for decommissioning provision that arose to-date as a result of exploration activities to be $170 for the Lithium Nevada project. The fair value of the liability was determined to be equal to the estimated remediation costs. In May 2014, the Company's $908 reclamation bond payable to the Bureau of Land Management ("BLM") was guaranteed by a third-party insurance company upon the issuance of Lithium Nevada Clay Mine project permit to the Company. The bond guarantee is renewed annually and secured by the Company's $150 security deposit.

Risks and Uncertainties

There are risks associated with joint venture agreements.

The Company's interest in the Joint Venture on the Cauchari-Olaroz project is subject to the risks normally associated with the conduct of joint ventures. The existence or occurrence of one or more of the following circumstances and events could have a material adverse impact on the Company's profitability or the viability of its interests held through joint ventures, which could have a material adverse impact on the Company's business prospects, results of operations and financial condition: (i) disagreements with joint venture partners on how to conduct exploration; (ii) inability of joint venture partners to meet their obligations to the joint venture or third parties; and (iii) disputes or litigation between joint venture partners regarding budgets, development activities, reporting requirements and other joint venture matters.

Please refer to the Company's annual MD&A in the section entitled "Risks and Uncertainties" for additional risks and uncertainties faced by the Company.

Significant Accounting Policies

Please refer to the Company's annual MD&A for the Significant Accounting Policies.

Critical Accounting Estimates

Construction, commissioning and testing of organoclay plant continued to March 2016. When a project nears the end of construction, management has to exercise judgment to determine the date in which the asset was in the location and condition necessary to operate as intended by management. The identification of this date is important since it establishes the point in time at which costs cease to be capitalized unless they provide an enhancement to the economic benefits of the asset, processing costs begin to stabilize, the capitalization of pre-start-up revenue ceases and depreciation of the asset commences. Management determined the appropriate start date of the organoclay plant operations to be April 1, 2016.

The critical judgements and estimates applied in the preparation of the Company's unaudited condensed interim consolidated financial statements for the nine months ended June 30, 2016 are consistent with those Significant Accounting Policies and Critical Accounting Estimates applied and disclosed in its audited consolidated financial statements for the year ended September 30, 2015 and accompanying MD&A.

New Accounting policies adopted subsequent to September 30, 2015

Investments in joint arrangements

A joint arrangement is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control such that significant operating and financial decisions require the unanimous consent of the parties sharing control. The Company's joint arrangement is classified as a joint venture and is accounted for using the equity method. The equity method involves recording the initial investment at cost. When a joint venture is formed from a previous investment in a subsidiary, the Company recognizes a gain or loss on change of control in relation to the portion of the investment no longer owned based upon the carrying value of the assets. Additional funding into an investee is recorded as an increase in the carrying value of the investment. The carrying amount is adjusted by the Company's share of a joint venture's net income or loss, depreciation, amortization or impairment. When the Company's share of losses of a joint venture exceeds the Company's carrying value of the investment, the Company discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Company has incurred legal or constrictive obligations or made payments on behalf of the joint venture.

Share-based payments

During the period ended June 30, 2016, the Company implemented a new equity incentive plan that allows the grant of restricted shares and deferred shares units. The cost of equity-settled payment arrangements is recorded based on the estimated fair value at the grant date and charged to earning over the vesting period.

Capital Assets

Capital assets that are currently in use are depreciated as follows:
- Hectatone plant – straight-line basis over the estimated useful life of 20 years;
- Buildings – straight-line basis over the estimated useful life of 20 years;
- Hectatone plant equipment – straight line basis over the estimated lives 5-20 years.

Inventories

Organoclay products, in-process and stockpile inventories are recorded at the lower of average cost and net realizable value. The cost of finished goods and work-in-progress comprises raw materials, direct labour, and other direct costs, as well as related production overheads including applicable depreciation on property, plant and equipment. Net realizable value is the estimated selling price less applicable selling expenses. When inventories have been written down to net realizable value, a new assessment of net realizable value is made in each subsequent period. When the circumstances that caused the write down no longer exist, the amount of the write down is reversed. Materials and supplies inventories are valued at the lower of average cost and net realizable value. Cost includes acquisition, freight and other directly attributable costs.

Revenue

Organoclay products revenue is recognized when it is probable that the economic benefits will flow to the Company, risks and rewards of ownership are transferred to the customer, delivery has occurred, the sales price is reasonably determinable, and collectability is reasonably assured. These criteria are generally met at the time the product is shipped and delivered to the customer and, depending on the delivery conditions, title and risk have passed to the customer and acceptance of the product, when contractually required, has been obtained. Revenue is measured based on the price specified in the sales contract, net of discounts, at the time of sale.

New Accounting Standards and Recent Pronouncements

The Company has not yet adopted IFRS 9 – Financial Instruments: Classification and Measurement, which have been published, but is effective January 1, 2018, IFRS 15-Revenue from Contracts with Customers which is effective on or after January 1, 2018 and IFRS 16 – Leases, which is effective on or after January 1, 2019.

Investor Relations

Tom Hodgson, CEO, and John Kanellitsas, President and Vice-Chairman coordinate investor relations' activities for the Company.

Changes in Directors and Management

On June 30, 2016 Mr. Silvio Bertolli retired from his positions of Senior VP Project Development. His responsibilities were assumed by recently hired Dr. David S. Deak.

On May 2, 2016, the Company announced that Dr. David S. Deak has joined the Company as Chief Technical Officer ("CTO") and Senior Vice President, and President of Lithium Nevada Corp. Dr. Deak holds a D.Phil. in Materials Science from Oxford University and is well-known within the lithium and battery materials industry. He has diverse experience, predominantly in technology development and commercial roles. Most recently, he led strategic development projects focused on battery manufacturing and supply chain activities, including lithium supply.

On March 30, 2016, the Company announced re-election of Thomas Hodgson, George Ireland, John Kanellitsas, John Macken, and Franco Mignacco to the Board of Directors and appointment of three new Directors, Nicole Adshead-Bell, Gabriel Marcelo Rubacha and Lenard F. Boggio. Jay Chmelauskas, William Haldane, B. Matthew Hornor and Terry Krepiakevich resigned from the board and withdrew their names as nominees for election as directors.

On March 22, 2016, Mr. Kanellitsas was appointed as President of the Company effective March 30, 2016.

On November 17, 2015, George R. Ireland, a well-respected geologist and the President and CEO of Geologic Resource Partners LLC, and the Company's largest shareholder, joined the Board of Directors. George filled the vacancy created by the recent untimely passing of Ed Flood, also a geologist and investment manager, and one of the founders of Western Lithium.

Also on November 17, 2015 the Company announced that after a comprehensive review of the newly combined businesses, the Board of Directors has announced a restructuring of the senior management team aimed at accelerating development of the Company's large lithium resources in Argentina and the U.S. Tom Hodgson, with more than 30 years of senior executive experience and a director of Lithium Americas, will lead the team as the Company's new CEO. John Kanellitsas, an experienced business executive has been appointed Vice Chairman.

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed under securities legislation is recorded, processed, summarized and reported within the time periods specified by securities regulators and include controls and procedures designed to ensure that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed under securities legislation is accumulated and communicated to the issuer's management, including its certifying officers, as appropriate to allow timely decisions regarding required disclosure. The Company's management designed the disclosure controls and procedures to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, is made known to them on a timely basis. The Company's management believes that any disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met.

Internal Controls over Financial Reporting

Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. Management is responsible for the design of the Company's internal controls over financial reporting.

The Company's internal controls over financial reporting include policies and procedures that pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and disposition of assets, provide reasonable assurance that transactions are recorded as necessary to permit the preparation of the financial statements in accordance with IFRS and that receipts and expenditures are being made only in accordance with authorization of management and directors of the Company, and provide reasonable assurance regarding prevention or timely detection of authorized acquisition, use or disposition of assets that could have a material effect on the financial statements.

Because of their inherent limitations, internal controls over financial reporting can provide only reasonable assurance and may not prevent or detect misstatements. Furthermore, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

There has been no change in the Company's internal controls over financial reporting that occurred during the most recently completed quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

Forward Looking Statements

Certain of the statements made and information contained herein is "forward-looking information" within the meaning of applicable Canadian securities legislation. These statements relate to future events or the Company's future performance. All statements, other than statements of historical fact, may be forward-looking statements. Information concerning mineral resource and mineral reserve estimates also may be deemed to be forward-looking statements in that it reflects a prediction of mineralization that would be encountered if a mineral deposit were developed and mined. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "propose", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this report should not be unduly relied upon by investors as actual results may vary.

These statements speak only as of the date of this report and are expressly qualified, in their entirety, by this cautionary statement. In particular, this report contains forward-looking statements, pertaining to the following: capital expenditure programs; estimates of the quality and quantity of the mineral resources and mineral reserves at its mineral properties; development of mineral resources and mineral reserves; treatment under governmental and taxation regimes; expectations regarding the Company's ability to raise capital; expenditures to be made by the Company on its properties; the Company's expectations regarding timing and successful production of lithium carbonate and other by-products from the lithium demonstration plant; the Company's expectations regarding the preparation of an updated study for lithium carbonate production at the Lithium Nevada project; the expected timeline for the development of the Cauchari-Olaroz project; work plans to be conducted by the Company and the Joint Venture, including expectations with respect to the operational status of, and timing of commercial production at, its organoclay plant; the Company's plans to introduce certain products to the market; and the Company's ability to source sales contracts for its organoclay products.

Forward Looking Statements (continued)

With respect to forward-looking statements listed above and contained in the report, the Company has made assumptions regarding, among other things:

- uncertainties relating to receiving mining, exploration, environmental and other permits or approvals in Nevada and Argentina;
- the potential Lithium Nevada production of lithium, potassium and sodium products from the lithium demonstration plant in Germany;
- the potential production at the Hectatone Facility;
- the impact of increasing competition in the lithium business;
- unpredictable changes to the market prices for lithium, and potassium and clay-based drilling additives;
- the market price of organoclay, the Company's ability to produce a rival product at a competitive price and to source sales contracts;
- exploration and development costs for the Cauchari-Olaroz project and the Lithium Nevada project;
- anticipated results of exploration and development activities;
- availability of additional financing or joint-venture partners;
- the Company's ability to obtain additional financing on satisfactory terms;
- the ability to achieve production at any of the Company's mineral exploration and development properties;
- preparation of an updated study for lithium carbonate production at Lithium Nevada project; and
- the continued growth of the shale gas and ultra-deep oil drilling and lithium industries.

The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this report including the following: volatility in the market price for minerals; uncertainties associated with estimating mineral resources and mineral reserves, including uncertainties relating to the assumptions underlying mineral resource and mineral reserve estimates; uncertainty of whether there will ever be production at the Company's mineral exploration properties; geological, technical, drilling or processing problems; liabilities and risks, including environmental liabilities and risks, inherent in mineral extraction operations; fluctuations in currency exchange and interest rates; incorrect assessments of the value of acquisitions; unanticipated results of exploration activities; competition for, amongst other things, capital, undeveloped lands and skilled personnel; lack of availability of additional financing and/or joint venture partners; unpredictable weather conditions; unanticipated delays at the lithium demonstration plant or at the Fernley Facility or in preparing the feasibility study; the ability to manufacture an organoclay product that meets customer requirements; an increase in the costs of manufacturing organoclay, including the costs of any raw materials used in the process; and a reduction in the demand for shale or ultra-deep drilling.

Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward-looking statements contained in this report are expressly qualified by this cautionary statement. The Company does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.