



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
	<u>14,483</u>	<u>7,055</u>
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	-
	<u>39,362</u>	<u>61,486</u>
TOTAL ASSETS	<u>53,845</u>	<u>68,541</u>
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
	<u>1,099</u>	<u>6,215</u>
LONG-TERM LIABILITIES		
Long-term borrowing (Note 7)	896	988
Obligation under finance leases	91	123
Decommissioning provision	170	300
	<u>1,157</u>	<u>1,411</u>
TOTAL LIABILITIES	<u>2,256</u>	<u>7,626</u>
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	<u>51,589</u>	<u>60,915</u>
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	<u>53,845</u>	<u>68,541</u>

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)

	<u>Share capital</u>			Accumulated other comprehensive	Income/ (Deficit)	Shareholders'
	Number	Amount	Contributed	loss	(Deficit)	equity
	of Shares	\$	\$	\$	\$	\$
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	<u>(8,019)</u>	<u>(4,768)</u>
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)	<u>(534)</u>	<u>(3,228)</u>
Net cash provided/(used) in investing activities	<u>11,104</u>	<u>(3,287)</u>
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	<u>(87)</u>	<u>(83)</u>
Net cash provided by financing activities	<u>3,319</u>	<u>8,782</u>
EFFECT OF FOREIGN EXCHANGE ON CASH	<u>281</u>	<u>(383)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	6,685	344
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	<u>5,552</u>	<u>7,160</u>
CASH AND CASH EQUIVALENTS - END OF PERIOD	<u>12,237</u>	<u>7,504</u>

Supplemental disclosure with respect to cash flows (Note 14)

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

LITHIUM AMERICAS CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR NINE MONTHS ENDED JUNE 30, 2016
(Unaudited – Prepared by Management)
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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™” 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.

LITHIUM AMERICAS CORP.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED JUNE 30, 2016

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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.

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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.

LITHIUM AMERICAS CORP.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED JUNE 30, 2016

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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 \$
<i>Initial contribution to Joint Venture</i>	
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.

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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 Cauchari-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 Minería 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.

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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
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
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

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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.

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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.

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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		

¹Conversion 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.

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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 be 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 be 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		

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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:

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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.

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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
<hr/>		
	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).

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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 (Hecatone 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

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13. SEGMENTED INFORMATION (continued)

	Organoclay	Lithium Nevada	Cauchari-Olaroz	Corporate	Total
	\$	\$	\$	\$	\$
<i>As at September 30, 2015</i>					
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)
<i>For the three months ended June 30, 2015</i>					
Net (income)/ loss	290	407	-	722	1,419
Exploration expenditures	-	332	-	-	332
Organoclay research and development	110	-	-	-	110
<i>For the nine months ended June 30, 2015</i>					
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

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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.

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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

¹Long-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.