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

Cauchari-Olaroz Project, Jujuy Province, Argentina

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.

Lithium Nevada Project, Nevada, USA

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.

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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.

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

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.