

LITHIUM AMERICAS CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2016

Background and Change in Year-End

This Management's Discussion and Analysis ("MD&A"), prepared as of November 10, 2016, should be read in conjunction with the condensed consolidated interim financial statements ("financial statements") and the notes thereto of Lithium Americas Corp. ("Lithium Americas", the "Company" or "LAC") for the twelve months ended September 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.

The Company has changed its fiscal year end from September 30 to December 31, effective 2016 year-end. The Company will report its annual consolidated financial statements for the fifteen month period ending December 31, 2016, compared to the twelve month period ended September 30, 2015. The Company changed its year end in order to align its year end with the Joint Venture for reporting and planning purposes as well as to bring its financial reporting requirements in line with the other companies in the industry.

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. More recently during 2016, the Joint Venture has been authorized to proceed with development planning for the project based on the following parameters: (i) a two stage development consisting of an initial phase at 25,000 tpa LCE capacity, followed by a second stage at 25,000 tpa LCE capacity; and (ii) an accelerated path to production, with a target for commencement of construction in early 2017 and stage one production in 2019. The Company has been advised that an update of the NI 43-101 compliant feasibility study for stage one is anticipated to be completed by year end. The Joint Venture is governed by a Shareholders Agreement which provides for (i) equal representation by the Company and SQM on its Management Committee, (ii) unanimous approval by the Company and SQM on budgets and timing of expenditures, (iii) the ability of the Company to take its share of any production in kind and (iv) buyout and termination provisions in the event that SQM chooses not to proceed with the project.

The Lithium Nevada project is a smectite clay-based lithium project and has been the subject of extensive exploration and development work. The Company is currently advancing permitting and process engineering for this project.

For both lithium 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.

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Company Overview (continued)

The Company's head office is located at Suite 1100-355 Burrard Street, Vancouver, BC, Canada, V6C 2G8. The Company trades in Canada on the Toronto Stock Exchange under the symbol "LAC" 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. 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. The exploration program is rapidly advancing the Project to the pre-construction phase. Testing of liner materials and trials of earth moving equipment is on-going and is scheduled for completion by the end of November. Various combinations of different materials and liner configurations are being tested in ten ponds to optimize the technical and economic design and performance. Earth moving trials are underway to finalize the optimal construction methodology. Final topographical reports have been completed defining materials characteristics in different areas of the project. A second series of tests in soil mechanics are underway to determine the most efficient area to build. Construction of the project roads and 14 drill platforms is expected to be completed by the end of November. The Project campsite is being expanded with the addition of modular accommodations for 52 people.

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 result 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 twelve months ended September 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.

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Description of Business (continued)

Lithium Nevada Project, Nevada, USA (continued)

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.

Organoclay Business

The organoclay plant, operated by the Company's wholly-owned subsidiary Hectatone Inc., is located in Fernley, Nevada, was considered to be completed and ready for intended use on April 1, 2016, accordingly, sales 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 September 30, 2016 the Company reported US\$619,868 in revenues and gross loss of US\$612,608 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 From the Start of Fiscal Year to Date

- On August 11, 2016, the Company announced the appointment of Myron Manternach as Executive Vice President, Finance and Corporate Development. Mr. Manternach has over 20 years of experience in corporate finance, mergers and acquisitions, and investment management.
- 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.

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Significant Events From the Start of Fiscal Year to Date (continued)

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 Hecatone 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.
- 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.

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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			
	Q4 US\$	Q3 US\$	Q2 US\$	Q1 US\$	Q4 US\$	Q3 US\$	Q2 US\$	Q1 US\$
Total assets	50,537	53,845	57,664	57,876	68,541	27,572	20,072	21,476
Exploration and evaluation assets	1,444	1,010	1,010	31,361	42,623	508	508	458
Investment in Joint Venture	16,074	17,673	18,163	-	-	-	-	-
Capital assets	18,618	18,862	19,164	18,932	18,713	18,383	17,892	17,248
Working capital	11,260	13,384	13,667	2,532	840	4,595	427	2,571
Organoclay sales	452	168	-	-	-	-	-	-
Organoclay sales capitalized during the development stage	-	156	307	99	126	-	-	-
Expenses	(3,651)	(3,276)	(2,742)	(2,707)	(1,546)	(1,263)	(1,461)	(2,333)
Net loss for the period	(3,723)	(3,766)	(11,365)	(3,272)	(2,202)	(1,419)	(1,569)	(2,365)
Basic loss per common share	(0.01)	(0.01)	(0.03)	(0.01)	(0.06)	(0.01)	(0.01)	(0.02)
Diluted loss per common share	(0.01)	(0.01)	(0.03)	(0.01)	(0.06)	(0.01)	(0.01)	(0.02)

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

Total Assets

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.

Exploration and Evaluation Assets

In Q2 2016, the decrease of \$30,351 in exploration and evaluation assets was mainly due to the declining Peso and accounting for the Joint Venture with SQM.

In Q1 2016, the significant decrease of \$11,262 in exploration and evaluation assets is mostly due to the decline in the carrying amount of the Company's Cauchari-Olaroz project due to the significant foreign exchange rate fluctuation for Argentinian pesos.

In Q4 2015, the Company recorded additions of \$41,665 net of \$251 for foreign exchange differences for the acquisition of the Cauchari-Olaroz project.

Investment in Joint Venture

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.

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Summary of Selected Quarterly Results (continued)

Capital Assets

Most of the Company's capital assets amounts relate to the organoclay plant. The Company's organoclay plant was constructed during 2014 and considered to be completed and ready for use on April 1, 2016. Sales and costs of sales for the organoclay plant are recorded commencing April 1, 2016.

Working Capital

The increase in working capital of \$11,135 in Q2 2016 is mostly attributable to the \$13,333 receivable from the Joint Venture, which was formed on March 28, 2016.

The decrease in working capital of \$3,755 in Q4 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.

The increase in working capital in Q3 2015 was mostly due to the net proceeds of \$5,891 from a bought deal offering.

Organoclay Sales

The Company started to recognize organoclay sales on April 1, 2016, once organoclay plant achieved intended use status.

Expenses and Net Loss

The increase in the Company's expenses in Q3 2016 and Q4 2016 was primarily due to the Company's share of loss in Joint Venture, which was formed on March 28, 2016. The increase in the Company's share of loss in the Joint Venture was due to the increase of exploration activities on the Cauchari-Olaroz project.

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 Q1 2016 expenses increased by \$1,161 mainly due to the increase in exploration expenditures in Nevada and Argentina.

Results of Operations – Three Months Ended September 30, 2016

For the three months ended September 30, 2016, the Company reported a loss of \$3,723 compared to a loss of \$2,202 for the three months ended September 30, 2015, of which \$303 loss (Q4 2015 - \$Nil) is attributed to Hectatone's products sales, \$3,651 (Q4 2015 - \$1,546) is attributed to expenses, gain of \$231 (Q4 2015 - \$656 loss) is attributed to other items discussed in the summary of the quarterly results.

Organoclay Sales and Cost of Sales

Organoclay plant was considered to be completed and ready for intended use on April 1, 2016. Accordingly, the Company started recording sales and costs of sales in respect of these operations in the statement on comprehensive loss commencing April 1, 2016. The organoclay sales revenue in Q4 2016 was \$452 (Q4 2015-\$Nil) and related production costs of \$489 (Q4 2015 - \$Nil) , depreciation expense of \$127 (Q4 2015 - \$Nil), and inventory write down to net realizable value of \$139 (Q4 2015 - \$Nil) resulting in gross loss from Hectatone's products sales of \$303 (Q4 2015 - \$Nil). The Company continues to pursue sales to oilfield and non-oilfield organoclay business. The Company is a new entrant in the organoclay business and is continuing to receive new sales orders for the existing products and certifications of the new products. The financial results of the organoclay business are expected to improve in the future with the anticipated higher volume of products in 2017.

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

Expenses

Exploration expenditures of \$676 (Q4 2015 – \$515) incurred for the Lithium Nevada project and include \$344 (Q4 2015 - \$205) in costs for the lithium demonstration plant campaign in Germany.

Organoclay research and development costs are consistent from period to period and include costs of operating a small research team and lab for new organoclay products development.

Loss from the Joint Venture of \$1,231 (Q4 2015 - \$Nil) represents the Company's share of the Joint Venture expenses for the Cauchari-Olaroz project.

Stock-based compensation of \$463 (Q4 2015 - \$53) is a non-cash expense and consists of the \$368 estimated fair value of stock options vested during the period and the \$95 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 Q4 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 \$1,180 (Q4 2015 - \$872):

- Marketing expenses of \$164 (Q4 2015 - \$171) include salaries, travel expenses, and other miscellaneous expenses of Hectatone's marketing staff;
- Office expenses of \$159 (Q4 2015 – \$151) include Vancouver, Reno and Toronto office rent, insurance, IT, telephone and other related expenses and general office expenses;
- Professional fees of \$117 (Q4 2015 - \$142) consist of legal fees of \$79 (Q4 2015 - \$46), consulting fees of \$32 (Q4 2015 - \$60), public relations fees of \$6 (Q4 2015 - \$6), and accounting fees of \$Nil (Q4 2015 - \$30);
- Salaries and benefits of \$504 (Q4 2015 – \$300) include salaries and benefits for the Company's employees. The increase is 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.

Financing expenses of \$Nil (Q4 2015 - \$644) related to the accretion of the convertible security. In Q3 2016, the Company repaid the remaining balance of the convertible security note.

Results of Operations – Twelve Months Ended September 30, 2016

Expenses

For the twelve months ended September 30, 2016, the Company reported total comprehensive loss of \$22,751 compared to a total comprehensive loss of \$8,121 for the twelve months ended September 30, 2015, of which \$612 is attributable to loss realized on Hectatone products sales, \$12,303 (2015 - \$6,603) to expenses, \$9,212 loss (2015 - \$952) to other items discussed in the quarterly results, including \$15,093 of accumulated foreign exchange losses related to Minera Exar, which 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 \$2,889 (2015 – \$2,087) include \$1,869 (2015 - \$1,822) for the Lithium Nevada project, and \$976 (2015 - \$101) for the Cauchari-Olaroz project. Included in the Lithium Nevada expenditures is \$1,037 (2015 - \$1,225) related to the lithium demonstration plant.

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Results of Operations – Twelve Months Ended September 30, 2016

Expenses (continued)

Included in General and Administrative expenses of \$4,935 (2015 - \$3,515):

- Marketing expenses of \$659 (2015 - \$538) include salaries, bonuses, and expenses incurred for the marketing of Hectatone products.
- Office expenses of \$591 (2015 - \$643) includes Vancouver, Reno, and Toronto office rent, insurance, IT, telephone and other related expenses and general office expenses at the organoclay plant office.
- Professional fees of \$584 (2015 - \$333) consist of legal fees of \$299 (2015 – \$125), consulting fees of \$180 (2015 - \$119), public relations fees of \$29 (2015 - \$24), and accounting fees of \$74 (2015 - \$65). The increase in all categories is due to an increase in corporate activities.
- Salaries and benefits of \$2,044 (2015 - \$1,460) 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 twelve months ended September 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 cost 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	Twelve months ended September 30,	
	2016	2015
	\$	\$
Cash used in operating activities	(10,036)	(6,713)
Cash provided by/(used) in investing activities	10,672	(4,294)
Cash provided by/(used) in financing activities	3,613	9,985
Effect of foreign exchange on cash	208	(586)
Change in cash and cash equivalent	4,457	(1,608)
Cash and cash equivalents - beginning of period	5,552	7,160
Cash and cash equivalents - end of period	10,009	5,552

As at September 30, 2016, the Company had cash of \$10,009 and working capital of \$11,260 compared to \$5,552 cash and working capital of \$840 on September 30, 2015.

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Liquidity and Capital Resources (continued)

In January 2016, the Company received \$3,500 from 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 timing and the amount of Hectatone and Lithium Nevada expenditures are within the control of the Company due to its direct and sole ownership. The Joint Venture Agreement on the Cauchari-Olaroz project requires unanimous approval of capital and operating budgets for the project.

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.

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 now 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 year 2015 and \$3,500 was received during the twelve months ended September 30, 2016.

Convertible Security

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

Operating Activities

Cash used in operating activities during the twelve months ended September 30, 2016, was \$10,036 compared to \$6,713 net cash used during the twelve months ended September 30, 2015. The significant components of operating activities are discussed in the Results of Operations sections.

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Investing Activities

Investing activities provided cash of \$10,672 during the twelve months ended September 30, 2016, compared to \$4,294 cash used during the twelve months ended September 30, 2015. The cash used in investing activities during the twelve months ended September 30, 2016, was mainly for the additions to capital assets of \$531 (2015 - \$3,858), additions to Lithium Nevada exploration and evaluation assets of \$486 (2015 - \$502). The Company incurred \$72 in legal and consulting costs and paid \$400 accounts payable and accrued liabilities related to the transaction with Lithium Americas. 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 twelve months ended September 30, 2016, the Company received cash of \$790 (2015 - \$202) from the exercise of stock options, \$1,150 (2015 - \$86) from the exercise of warrants, repaid the convertible security note of \$1,653 (2015 - \$Nil), finance leases of \$41 (2015 - \$36), and long-term borrowing of \$117 (2015 - \$111).

During the twelve months ended September 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 September 30, 2016, were \$249.

Current Share Data

As at the date of this report, the Company has 301,641 common shares issued and outstanding, 17,268 stock options outstanding, and 9,334 warrants.

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.

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Related Party Transactions (continued)

The Company’s 50%-owned subsidiary Minera Exar entered in the following transactions with the companies controlled by the Company director’s family:

- Los Boros Option Agreement (see Note 4 in September 30, 2016 financial statements);
- Road construction contract for \$391 (the Company’s portion is \$196) included in share of loss in Joint Venture during the twelve months ended September 30, 2016.

The related party transactions incurred during the twelve months ended September 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 September 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	150	129	-	279

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 September 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 initially measured in the statement of financial position at fair value.

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.

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 September 30, 2016. The Company’s reclamation bond arrangement is disclosed below.

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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

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.

In preparing the consolidated financial statements, the Company made 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, except as follows.

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.

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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 August 11, 2016, the Company announced that Myron Manternach has joined the Company as Executive Vice President, Finance and Corporate Development. Mr. Manternach has over 20 years of experience in corporate finance, mergers and acquisitions, and investment management. He worked as an investment banker at JPMorgan Chase & Co. and as an analyst and manager of global alternative investment funds with significant experience in natural resources and emerging market credit and equity. Most recently he was a Managing Director and Senior Portfolio Manager of Ambac Assurance Corp., a subsidiary of Ambac Financial Group. He is chairman of Wellgreen Platinum Ltd. and was previously a director of Lithium Americas Corp. prior to its merger with Western Lithium. Mr. Manternach holds a BS degree in Electrical Engineering with distinction from Iowa State University and an MBA from the Wharton School of the University of Pennsylvania.

On June 30, 2016 Mr. Silvio Bertolli retired from his position 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 Krepiakovich 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. Mr. Ireland 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.

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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.

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Forward Looking Statements (continued)

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.

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, potassium and clay-based organoclay products;
- 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.