

# **LITHIUM AMERICAS CORP.**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2016**

#### **Background**

This Management's Discussion and Analysis ("MD&A"), prepared as of March 27, 2017, should be read in conjunction with December 31, 2016 audited consolidated financial statements and notes thereto of Lithium Americas Corp. ("Lithium Americas", the "Company", or "LAC"). These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All amounts are expressed in United States dollars, unless otherwise stated.

#### **Change in Fiscal Year End**

The Company has changed its fiscal year end from September 30 to December 31. The change in year-end is effective December 31, 2016, therefore the transitional fiscal year is the fifteen-month period from October 1, 2015 to December 31, 2016. The Company changed its year end in order to align it with the Joint Venture for reporting and planning purposes as well as to bring its financial reporting timetable in line with the other companies in the industry.

#### **Company Overview**

Lithium Americas is a Canadian based resource company focused on the advancement of two significant lithium projects: the Cauchari-Olaroz project, located in Jujuy Province of Argentina, and the Lithium Nevada project (formerly the Kings Valley project), located in north-western Nevada, USA, and on the manufacturing and sales of organoclay products from its Fernley, Nevada plant.

On March 28, 2016, the Company entered into an agreement with SQM POTASIO S.A., a subsidiary of Sociedad Quimica y Minera de Chile S.A. ("SQM") to form a 50/50 joint venture (the "Joint Venture") on the Cauchari-Olaroz project. The Cauchari-Olaroz project is a lithium brine project. The property has been the subject of resource estimation and a feasibility study in 2012 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.

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 right to purchase a 50% share of the production and (iv) buyout and termination provisions in the event that SQM chooses not to proceed with the project.

The Lithium Nevada project is a clay-based lithium project and has been the subject of extensive exploration and processing development work. The Company has recently increased its technical team and is currently advancing permitting and exploration in addition to investigation of innovative lithium extraction and processing technologies that build on previous successful piloting studies for this project.

The Company is advancing both of its lithium projects with the intention of delivering lithium products for the growing lithium ion battery sector. Lithium Americas intends to make its lithium business a significant contributor to the global lithium supply chain.

In addition, the Company's wholly-owned subsidiary RheoMinerals Inc. ("RheoMinerals") operates an organoclay plant located in Fernley, Nevada, USA and manufactures specialty organoclay products ("RheoMinerals products"), derived from clays. RheoMinerals products are used by the oil and gas industry as specialty viscosifier additives for drilling fluids and in other sectors.

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 RheoMinerals Inc. (formerly Hectatone Inc.) and in Argentina through a Joint Venture company Minera Exar S.A. ("Minera Exar") Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).

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**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 is continuing to progress 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 when the project is approved for the construction phase.

The Joint Venture has designed a hydrological exploration program and advanced an updated feasibility study on the project. Testing of liner materials and native berm materials is on-going. Various combinations of different materials and liner configurations are being tested in ten ponds to optimize the technical and economic design and performance. Topographical mapping has been completed defining materials characteristics in different areas of the project, and testing of native soil for berm construction are underway to validate the optimal construction methodology. A second series of tests in soil mechanics are underway to determine the geotechnical foundation characteristics. Construction of the project roads and 14 well drilling platforms has been completed. The camp has been expanded with modular accommodations to house approximately 70 people. The Joint Venture currently employs 84 of which 39 are from the communities surrounding the project area, 35 are from other areas of the Jujuy Province and 10 are from other provinces.

***Updated Feasibility Study***

An updated feasibility study on the Cauchari-Olaroz Project ("Stage 1 DFS"), covering an initial 25,000 TPA ("tonnes per annum") of lithium carbonate production capacity ("Stage 1") is substantially complete and the Company anticipates being ready to disclose the full results of that study shortly following the filing of this report. The Company has confirmed that the feasibility study for Stage 1 will include the following:

- The project capital cost estimate for the construction of Stage 1 is expected to be approximately US\$425million before value-added and other applicable taxes;
- The operating cost estimate will be at the low end of the cost curve compared to producing lithium operations;
- A solar evaporation application for brine pre-concentration, lime treatment of pre-concentrate brine for magnesium chloride precipitation, and additional precipitation/solar evaporation ponds to concentrate the feed to process plant;
- The lithium carbonate plant including impurities removal stages to produce battery grade lithium carbonate;
- No facilities for production of potassium chloride in consideration of low market price of this product;
- The parties expect to be in a position to commence construction in the first half of 2017;
- The construction schedule is estimated at two years, and the production ramp up includes 2 years to reach full production due to brine conditioning requirements; and
- During the construction period, Minera's direct employment in the province of Jujuy is estimated to be at least 800 people; once in operation, Minera is expected to employ approximately 300 people in permanent positions.

Lithium Americas will be responsible for contributing 50% of capital expenditures for development of the project, amounting to approximately US\$212.5 million based on the Stage 1 DFS, before taxes and working capital.

The Company expects that Jujuy will become an important center for the production of lithium. 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.

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*Political and Economic Changes in Argentina*

The Argentine economy underwent significant positive changes in late 2015 and early 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.

**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 fiscal year ended December 31, 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 engineering work will be required to optimize the process for commercial scale lithium hydroxide monohydrate production. In addition, the Company has become aware of recent technological advancements in lithium processing methods, and believes these innovative and sustainable technologies warrant further review for potential incorporation into the Lithium Nevada processing plant design. As a result of these additional reviews, the Company 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.

In June 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 the prior technical report.

The Company is in the process of determining the optimal path to advance the Lithium Nevada. There is strong local and national support from both commercial and political bases to advance a Nevada based project and a clear and well-defined permitting process exists. Lithium Americas shares the vision of making Nevada a center of renewable energy and sustainable mining technologies. The Company is committed to advancing the Lithium Nevada project on the fastest timetable possible, as dictated by further studies and market conditions, additional engineering work and pursuing strategic partnership opportunities to advance the project on a timely basis.

**RheoMinerals Business**

The organoclay plant, operated by the Company's wholly-owned subsidiary RheoMinerals, 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\$0.7 million and have been accounted for as a reduction of the capitalized costs of organoclay plant property, plant and equipment. From April 1 to December 31, 2016 the Company reported US\$1.2 million in organoclay sales.

In addition to clays for use in the oil and gas sector, RheoMinerals is a certified vendor with a Fortune 500 industrial group to sell its products internationally to the animal feed market as mycotoxin binders. RheoMinerals 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.

During the fifteen months ended December 31, 2016, RheoMinerals entered into a Technical Assistance and Royalty Agreement (the "Agreement") with Delmon Co. Ltd., part of The Delmon Group of Companies ("Delmon") in Saudi Arabia. Delmon has business interests spanning wide market segments of products and services, and is a leading local supplier of oilfield minerals and chemicals to Saudi Aramco. Under this agreement, RheoMinerals will collaborate with Delmon in the design and construction of a manufacturing facility (the "Delmon Plant") for specialty additives used in oil based drilling fluids. The initial product offering will include organophilic bentonite and organophilic lignite products. RheoMinerals will receive US\$1.2 million in progress payments upon Delmon achieving certain construction and operational milestones in addition to the reimbursements of expenses and costs of technical personnel. During the fifteen months ended December 31, 2016, RheoMinerals received US\$0.3 million from Delmon, which was recorded in other income. Under the Agreement, RheoMinerals will also receive royalties from the future Delmon Plant production. Delmon expects to commission the new facility in 2018.

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In April 2016, RheoMinerals entered into a strategic alliance with TOLSA, S.A. (“TOLSA”), a global leader in the specialized clay sectors. RheoMinerals 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 manufacturing of high purity hectorite-based products.

**Significant Events from the Start of Fiscal Year to Date**

- In February 2017, the Company announced the expected capital expenditures for the construction of Stage 1 of Cauchari-Olaroz project, amounting to approximately US\$210–US\$215 million for the Company’s contribution to the Joint Venture before taxes and working capital.
- In January 2017, the Company announced investment agreements totalling US\$286 million:
  - the Company signed an investment agreement with GFL International Co., Ltd. (“Ganfeng”) for funding to advance the construction of the Cauchari-Olaroz lithium project. Pursuant to the agreement, Ganfeng has agreed to financing terms in an aggregate amount of US\$174 million in exchange for 19.9% of the outstanding common shares of Lithium Americas pro-forma; the right to buy a fixed portion of the lithium carbonate production from the Cauchari-Olaroz project; and a US\$125 million project debt facility. Subsequently the Company received CDN\$9.6 million from the initial common share subscription contemplated under the investment agreement with Ganfeng and issued 11,250,000 common shares at a price of CDN\$0.85 per share.
  - the Company signed an investment agreement with The Bangchak Petroleum Public Company Limited (“Bangchak”) for funding to advance the construction of the Cauchari-Olaroz project. Pursuant to the agreement, Bangchak has agreed to financing terms in an aggregate amount of US\$112 million in exchange for increasing its ownership stake to 16.4% of the outstanding common shares of Lithium Americas pro-forma; the right to buy a fixed portion of the lithium carbonate production from the Cauchari-Olaroz project; and a US\$80 million project debt facility;
- In November 2016, RheoMinerals entered into a Technical Assistance and Royalty Agreement with Delmon.
- In June 2016, the Company filed 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 report.
- In April 2016, RheoMinerals entered into a strategic alliance with TOLSA, a global leader in the specialized clay sectors.
- In March 2016, the Company entered into agreements with SQM to form the 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.
- In December 2015, the Company announced that Bangchak had agreed to convert its subscription receipts into common shares of the Company and release from escrow to the Company the final tranche of US\$3.5 million. This transaction brought the total investment by Bangchak into the common shares of the Company to US\$5 million.
- In December 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.

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**Selected Financial Information**

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

**Selected Annual Financial Information**

The following table provides a brief summary of the Company’s financial operations for the fifteen months ended December 31, 2016 (“FY 2016”), and for the years ended September 30, 2015 (“FY 2015”) and September 30, 2014 (“FY 2014”). For more detailed information, refer to the audited consolidated financial statements for the FY 2016, FY 2015, and FY 2014 which can be found on the SEDAR website ([www.sedar.com](http://www.sedar.com)).

	Fifteen months ended December 31, 2016	Year ended September 30, 2015	Year ended September 30, 2014
Expenses	17,612	6,603	6,597
Net loss	(27,724)	(7,555)	(1,300)
Comprehensive loss	(28,945)	(8,121)	(1,608)
Loss per share – basic and diluted	(0.09)	(0.06)	(0.01)
Total assets	45,301	68,541	24,354
Total long-term financial liabilities	(1,072)	(1,411)	(1,356)

The comparative September 30, 2015 and 2014 periods in the table are for twelve months and are not comparable to the fifteen months period ended December 31, 2016 due to the change in fiscal year end from September 30 to December 31, effective 2016.

Items that resulted in significant differences in the annual figures presented above are explained in the following narrative:

**Expenses**

Higher operating expenses in FY 2016 compared to FY 2015, were mostly due to the increases of \$2,626 in non-cash stock-based compensation expense, \$1,361 in exploration expenditures, \$3,987 in the Company’s share of loss in the Joint Venture formed on March 28, 2016, and \$2,933 increase in general and administrative expenses due to an increase in corporate activities discussed in results of operation for the fifteen months ended December 31, 2016.

**Net Loss and Comprehensive Loss**

The total net loss in FY 2016 includes loss realized on organoclay sales of \$1,467 (FY 2015 - \$Nil), convertible security accretion of \$806 (FY 2015 - \$748), foreign exchange gain of \$351 (FY 2015 – loss of \$284) due to a stronger US\$ in 2016, and other income of \$825. The Company realized a loss of \$9,015 on the sale of a 50% of its equity interest in Minera Exar to SQM mainly due to \$15,098 of cumulative amount of exchange differences (“CTA”) in Minera Exar.

The comprehensive loss in FY 2015 includes an unrealized loss on the translation to reporting currency of \$566 mainly due to the US\$, Argentinian pesos, and Euro exchange rate fluctuations and convertible security accretion of \$748 recorded as financing expense.

FY 2014 net loss was positively impacted by gains on the royalty sale of \$5,088. The Company reported unrealized losses on translation to reporting currency of \$308 in 2014.

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**Total Assets**

The Company's total assets decreased by \$23,240 in FY 2016 compared to FY 2015 mainly due to the sale of 50% of its equity interest in Minera Exar to SQM on the formation of the Joint Venture in March 2016. The Company received \$3,500 from the financing activities, \$806 from stock options exercises, and \$1,150 from warrants exercises, and repaid its convertible security balance of \$1,653.

The Company's total assets increased by \$44,187 in FY 2015 compared to FY 2014 mainly due to \$9,985 proceeds from the financing activities and an increase in exploration and evaluation assets due to the \$41,916 acquisition of the Cauchari-Olaroz project for shares offset by operating expenses of \$5,885.

**Long-term Liabilities**

Long-term liabilities on December 31, 2016, were comprised of an \$833 (2015 - \$988) mortgage on the RheoMinerals Fernley plant purchased in 2013, obligations under finance leases of \$69 (2015 - \$123), and a decommissioning provision liability of \$170 (2015 - \$300). In March 2016, upon the Joint Venture formation, the Company derecognized a \$130 decommissioning liability related to the Cauchari-Olaroz project. In FY 2015, the Company leased additional equipment for RheoMinerals plant in Fernley and recorded a \$130 decommissioning provision liability related to the Cauchari-Olaroz project.

**Results of Operations – Fifteen Months Ended December 31, 2016 Compared to the Twelve Months Ended September 30, 2015**

*Expenses*

In FY 2016, the Company reported total comprehensive loss of \$28,945 compared to a total comprehensive loss of \$8,121 in FY 2015, of which \$1,467 (FY 2015 - \$Nil) is attributable to loss realized on organoclay sales, \$17,612 (FY 2015 - \$6,603) expenses, which are discussed below, \$8,645 loss (FY 2015 - \$952) to other items, and \$15,098 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 \$3,448 (FY 2015 - \$2,087) include \$2,472 (FY 2015 - \$1,822) for the Lithium Nevada project, and \$976 (FY 2015 - \$101) for the Cauchari-Olaroz project incurred until the formation of Joint Venture. Included in the Lithium Nevada expenditures is \$1,086 (FY 2015 - \$1,225) related to the lithium demonstration plant. The \$650 increase in exploration expenditures for the Lithium Nevada project was mostly due to hiring new employees and increase in activities. Exploration expenditures related to the lithium demonstration plant decreased due to timing of the campaigns.

Share-based compensation expense of \$3,193 (FY 2015 - \$567) is a non-cash expense and represents the estimated fair value of stock options and restricted shares vested during FY 2016 and FY 2015. Included in the total are \$1,682 share-based payment expenses related to restricted shares (FY 2015 - \$Nil) and \$1,511 (FY 2015 - \$567) share-based payment expenses related to stock options. The increase in this category was due to new stock options grants and restricted shares awards to the Company's employees and officers.

Included in General and Administrative expenses of \$6,448 (FY 2015 - \$3,515):

- Marketing expenses of \$875 (2015 - \$538) include salaries, bonuses, and expenses incurred for the marketing of RheoMinerals products.
- Office expenses of \$741 (FY 2015 - \$604) includes Vancouver, Reno, and Toronto office rent, insurance, IT, depreciation expense, telephone, and other related expenses and RheoMinerals general office expenses.

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- Professional fees of \$886 (FY 2015 - \$333) consist of legal fees of \$411 (FY 2015 – \$125), consulting fees of \$294 (FY 2015 - \$119), public relations fees of \$69 (FY 2015 - \$24), and accounting fees of \$111 (FY 2015 - \$65). The increase in all categories is due to an increase in corporate activities.
- Salaries and benefits of \$2,619 (FY 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.
- Increase in all other general and administrative expenses categories disclosed in Note 11 of the Company’s audited financial statements for for the fifteen months period ended December 31, 2016, was due to an increase in corporate activities.

The Company realized a loss of \$9,015 on the sale of 50% of its interest in Minera Exar to SQM on the formation of the Joint Venture mainly due to \$15,098 of cumulative exchange differences (“CTA”) in Minera Exar which were recycled to the statement of loss.

During FY 2016, the Company recorded a reduction of its Cauchari-Olaroz project acquisition cost of \$14,874 due to a change in foreign currency exchange rate with a corresponding increase in other comprehensive loss. The Company sold 50% of equity interest in Minera Exar to. Upon sale, the entire amount of CTA was reclassified from other comprehensive loss to profit and loss (see description under “Expenses and Net Loss” above).

During FY 2016, the Company recorded \$806 (FY 2015 - \$748) convertible security accretion cost.

Included in other income during FY2016 are \$300 proceeds received under the Delmon Agreement, \$544 write off of the previously recorded provision for settlement of liability with the Company’s former officer, net of related legal and administrative costs.

**Summary of Selected Assets and Quarterly Results**

	2016					2015		
	Q5 \$	Q4 \$	Q3 \$	Q2 \$	Q1 \$	Q4 \$	Q3 \$	Q2 \$
Total assets	45,301	50,537	53,845	57,664	57,876	68,541	27,572	20,072
Exploration and evaluation assets	1,447	1,444	1,010	1,010	31,361	42,623	508	508
Investment in Joint Venture	13,136	16,074	17,673	18,163	-	-	-	-
Property, plant and equipment	18,502	18,618	18,862	19,164	18,932	18,713	18,383	17,892
Working capital	8,593	11,260	13,384	13,667	2,532	840	4,595	427
Organoclay sales	534	452	168	-	-	-	-	-
Organoclay sales capitalized during the development stage	-	-	156	307	99	126	-	-
Expenses	(5,308)	(3,651)	(3,276)	(2,742)	(2,707)	(1,546)	(1,263)	(1,461)
Net loss for the period	(5,598)	(3,723)	(3,766)	(11,365)	(3,272)	(2,202)	(1,419)	(1,569)
Basic loss per common share	(0.01)	(0.01)	(0.01)	(0.03)	(0.01)	(0.06)	(0.01)	(0.01)
Diluted loss per common share	(0.01)	(0.01)	(0.01)	(0.03)	(0.01)	(0.06)	(0.01)	(0.01)

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

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**Total Assets**

The Company's total assets decreased by \$5,236 in Q5 2016 compared to Q4 2015 mostly due to expenses, decrease in payable and accrued liabilities, offset by the \$300 proceed received from Delmon.

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 Argentinian 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 transaction with SQM which closed on March 28, 2016.

**Property, Plant and Equipment**

Most of the Company's property, plant and equipment amounts relate to the RheoMinerals organoclay plant. The 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 decrease in working capital of \$2,667 in Q5 2016 was mostly due to general and administrative expenses and change in accounts payable.

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 addition of consolidated negative net working capital as a result of Western Lithium and Lithium Americas merger partially offset by net proceeds of \$1,330 from a subscription receipts financing.

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



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**Organoclay Sales**

The Company started to recognize organoclay sales on April 1, 2016, upon the organoclay plant achieving intended use status.

**Expenses and Net Loss**

The increase in the Company's expenses in Q5 2016, compared to Q4 2016 was mostly due to increase in consulting fees, legal expenses, marketing, and wages and salaries due to an increase in corporate activities and increase in the number of employees. The increase in the Company's expenses in Q4 2016, Q3 2016, and the quarter ended December 31, 2016, compared to other quarters 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 from quarter to quarter 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 \$15,098 of cumulative 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 December 31, 2016**

For the three months ended December 31, 2016, the Company reported a loss of \$5,598 compared to a loss of \$2,202 for the three months ended September 30, 2015, of which \$855 loss (Q4 2015 - \$Nil) is attributed to organoclay sales, \$5,309 (Q4 2015 - \$1,546) is attributed to expenses, gain of \$566 (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 Q5 2016 were \$534 (Q4 2015-\$Nil) and related production costs of \$800 (Q4 2015 - \$Nil), depreciation expense of \$289 (Q4 2015 - \$Nil), and inventory write down of \$300 (Q4 2015 - \$Nil) resulting in gross loss from organoclay sales of \$855 (Q4 2015 - \$Nil). 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.

*Expenses*

Exploration expenditures of \$559 (Q4 2015 – \$515) incurred for the Lithium Nevada project and include \$49 (Q4 2015 - \$205) in costs for the lithium demonstration plant.

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 \$2,615 (Q4 2015 - \$Nil) represents the Company's share of the Joint Venture expenses for the Cauchari-Olaroz project.

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Stock-based compensation of \$507 (Q4 2015 - \$53) is a non-cash expense and consists of the \$192 estimated fair value of stock options vested during the period and the \$315 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. 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 \$1,513 (Q4 2015 - \$872):

- Marketing expenses of \$216 (Q4 2015 - \$171) include salaries, travel expenses, and other miscellaneous expenses of RheoMinerals marketing staff;
- Office expenses of \$136 (Q4 2015 – \$151) include Vancouver, Reno and Toronto office rent, insurance, IT, telephone and other related expenses and general office expenses;
- Professional fees of \$302 (Q4 2015 - \$142) consist of legal fees of \$112 (Q4 2015 - \$46), consulting fees of \$114 (Q4 2015 - \$60), public relations fees of \$40 (Q4 2015 - \$6), and accounting fees of \$36 (Q4 2015 - \$30);
- Salaries and benefits of \$575 (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 business combination of Western Lithium and Lithium Americas in September 2015.

Financing expenses were \$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.

**Liquidity and Capital Resources**

<b>Cash Flow Highlights</b>	<b>Fifteen months ended December 31,</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Cash used in operating activities	<b>(11,312)</b>	(6,713)
Cash provided by/(used) in investing activities	<b>10,530</b>	(4,294)
Cash provided by financing activities	<b>3,585</b>	9,985
Effect of foreign exchange on cash	<b>(299)</b>	(586)
Change in cash and cash equivalent	<b>2,504</b>	(1,608)
Cash and cash equivalents - beginning of period	<b>5,552</b>	7,160
Cash and cash equivalents - end of period	<b>8,056</b>	5,552

As at December 31, 2016, the Company had cash and cash equivalents of \$8,056 and working capital of \$8,596 compared to cash and cash equivalents of \$5,552 and working capital of \$840 on September 30, 2015.

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 a convertible security funding agreement.

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The Company will require additional working capital to continue development of its organoclay business and for further development of its lithium projects. The timing and the amount of RheoMinerals and Lithium Nevada expenditures are within the control of the Company due to its direct and sole ownership. Pursuant to the agreements governing the Joint Venture on the Cauchari-Olaroz project, decisions regarding capital and operating budgets for the project require unanimous approval.

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 FY 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 had a two-year term from the date of issue and incurred a simple prepaid interest rate of 10% on the amount of funding. The Company had provided a second lien on its RheoMinerals 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.

***Ganfeng Investment***

On January 17, 2017, the Company signed an investment agreement with Ganfeng for funding to advance the construction of the Cauchari-Olaroz lithium project.

Pursuant to the Ganfeng investment agreement:

- Ganfeng has agreed to purchase, by way of a private placement, 75,000 common shares at a price of CDN\$0.85 per common share for gross proceeds of CDN\$64,000 (US\$49,000);
- Ganfeng will provide to Lithium Americas a US\$125,000 project debt facility to be used to fund a portion of Lithium Americas' share of Cauchari-Olaroz construction costs. The project debt facility has a term of six years, with an interest rate of 8.0% for the first three years that increases to 8.5% in year four, 9.0% in year five and 9.5% in year six;
- Ganfeng and the Company have agreed to terms for an offtake entitlement in favour of Ganfeng for the purchase of up to 70% of Lithium Americas' share of Cauchari-Olaroz Stage 1 lithium carbonate production at market prices;
- Ganfeng will be entitled to one nominee on Lithium Americas' board of directors and anti-dilution protection to maintain its proportionate interest in Lithium Americas for a two-year term.

On January 27, 2017, pursuant to the Ganfeng investment agreement, the Company issued to Ganfeng 11,250 common shares at a price of CDN\$0.85 per share, for an aggregate cash subscription of CDN\$9,563.

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***Bangchak Investment***

On January 19, 2017, the Company signed an investment agreement with Bangchak for funding to advance the construction of the Cauchari-Olaroz lithium project.

Pursuant to the Bangchak investment agreement:

- Bangchak has agreed to purchase, by way of a private placement, 50,000 common shares at a price of CDN\$0.85 per common share for gross proceeds of C\$42,500 (US\$32,000) ;
- Bangchak will provide to Lithium Americas a US\$80,000 project debt facility to be used to fund a portion of Lithium Americas’ share of Cauchari-Olaroz construction costs. The project debt facility has a term of six years, with an interest rate of 8.0% for the first three years that increases to 8.5% in year four, 9.0% in year five and 9.5% in year six;
- Bangchak and the Company have agreed to terms for an offtake entitlement in favour of Bangchak for the purchase of 15% of Lithium Americas’ share of Cauchari-Olaroz Stage 1 lithium carbonate production at market prices;
- Bangchak will be entitled to one nominee on Lithium Americas’ board of directors and anti-dilution protection to maintain its proportionate interest in Lithium Americas for a two-year term.

The Company agreed to increase Ganfeng’s offtake entitlement from 70% to 80% of Lithium Americas’ share of Cauchari-Olaroz Stage 1 lithium carbonate production in return for one-time waiver of the anti-dilution clause for Bangchak’s investment agreement and subject to completion of the financings contemplated in the Bangchak investment agreement.

**Operating Activities**

Cash used in operating activities during FY 2016, was \$11,312 compared to \$6,713 net cash used during FY 2015. The significant components of operating activities are discussed in the Results of Operations sections.

**Investing Activities**

Investing activities provided cash of \$10,530 in FY 2016, compared to \$4,294 cash used in FY 2015. The cash used in investing activities during the fifteen months ended December 31, 2016, was mainly for the additions to capital assets of \$640 (2015 - \$3,858), additions to Lithium Nevada exploration and evaluation assets of \$489 (2015 - \$502). The Company incurred \$72 in legal and consulting costs and paid \$437 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 entered into agreements with SQM to form the Joint Venture on the Cauchari-Olaroz project. 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 with the remaining \$10,000 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 \$36, resulting in a total loss of \$9,015.

SQM and the Company entered into an 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.

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**Financing Activities**

In FY 2016, the Company received cash of \$806 (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 \$52 (2015 - \$36), and long-term borrowing of \$147 (2015 - \$111).

In FY 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 December 31, 2016, were \$249.

**Current Share Data**

As at the date of this report, the Company has 315,417 common shares issued and outstanding, 2,254 restricted shares, 47 deferred share units, 15,265 stock options and 9,033 warrants outstanding.

**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 deferred share units with each board member obligated to receive a minimum of 50% of all such compensation in deferred share units.

Minera Exar entered in the following transactions with companies controlled by the family of a director of the Company:

- Los Boros Option Agreement (see Note 4 in December 31, 2016 financial statements);
- Construction services for Cauchari-Olaroz project for \$2,179 (the Company's portion is \$1,089).

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.

**Contractual Obligations**

As at December 31, 2016, the Company had the following contractual obligations:

	Not later than 1 year	Later than 1 year and not later than 5 years	Later than 5 years	<b>Total</b>
	\$	\$	\$	\$
Rent of office spaces	149	206	-	<b>355</b>
Promissory note for RheoMinerals plant	172	861	101	<b>1,134</b>
Equipment finance leases	48	72	-	<b>120</b>
<b>Total</b>	<b>369</b>	<b>1,139</b>	<b>101</b>	<b>1,609</b>

The Company's other obligations and commitments related to royalties, option payments and annual fees to the aboriginal communities are disclosed in Notes 4 and 6 of the Company's December 31, 2016 audited consolidated financial statements and will only be incurred if the Company continues to hold the subject property, starts production or exercises purchase option.