



WESTERN LITHIUM USA CORPORATION

Annual Information Form

For the year ended September 30, 2015

December 18, 2015

TABLE OF CONTENTS

FORWARD LOOKING STATEMENTS	1
DEFINITIONS AND OTHER INFORMATION	2
CURRENCY	2
SCIENTIFIC AND TECHNICAL INFORMATION	2
CORPORATE STRUCTURE OF THE COMPANY.....	2
NAME, ADDRESS AND INCORPORATION.....	2
INTERCORPORATE RELATIONSHIPS.....	3
GENERAL DEVELOPMENT OF THE BUSINESS	3
OVERVIEW.....	3
THREE YEAR HISTORY	4
TRENDS AND OUTLOOK	6
COMPETITIVE CONDITIONS.....	6
ENVIRONMENTAL PROTECTION.....	7
RISK FACTORS.....	7
CAUCHARI-OLAROS PROJECT.....	17
KINGS VALLEY PROJECT.....	29
THE HECTATONE™ BUSINESS.....	45
HUMAN RESOURCES.....	47
DESCRIPTION OF CAPITAL STRUCTURE.....	47
DIVIDENDS AND DISTRIBUTIONS.....	49
MARKET FOR SECURITIES.....	49
MARKET	49
TRADING PRICE AND VOLUME	49
DIRECTORS AND OFFICERS.....	50
NAME AND OCCUPATION.....	50
SHAREHOLDINGS OF DIRECTORS AND OFFICERS	52
CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS	52
COMMITTEES OF THE BOARD	53
CONFLICTS OF INTEREST	53
AUDIT COMMITTEE INFORMATION	54
AUDIT COMMITTEE CHARTER	54
COMPOSITION OF THE AUDIT COMMITTEE AND INDEPENDENCE	54
RELEVANT EDUCATION AND EXPERIENCE.....	54
AUDIT COMMITTEE OVERSIGHT	54
RELIANCE ON CERTAIN EXEMPTIONS	54
PRE-APPROVAL POLICIES AND PROCEDURES	55

AUDIT FEES	55
LEGAL PROCEEDINGS AND REGULATORY ACTIONS	55
INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS.....	55
TRANSFER AGENTS AND REGISTRARS.....	56
MATERIAL CONTRACTS	56
LINE OF CREDIT AGREEMENT	56
ARRANGEMENT AGREEMENT	56
CO-OPERATION AGREEMENT WITH POSCO.....	58
ROYALTY PURCHASE AGREEMENT	58
INTERESTS OF EXPERTS	59
ADDITIONAL INFORMATION.....	59
SCHEDULE “A” DEFINITIONS	1
SCHEDULE “B” AUDIT COMMITTEE CHARTER	1

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 AIF should not be unduly relied upon by investors as actual results may vary. These statements speak only as of the date of this AIF and are expressly qualified, in their entirety, by this cautionary statement. In particular, this AIF 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 a feasibility study for lithium carbonate production at the Kings Valley Project; the expectation to enter into a joint venture agreement with POSCO for the development of the Cauchari-Olaroz Project; work plans to be conducted by the Company, including expectations with respect to the operational status of, and timing of commercial production at, its Fernley Facility; 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 AIF, 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 production from the Demo Plant;
- the potential Kings Valley production of lithium, potassium and sodium products from the lithium demonstration plant in Germany;
- the potential production at the Fernley Facility;
- the impact of increasing competition in the lithium business;
- unpredictable changes to the market prices for lithium, and potassium and clay-based drilling additives;
- the market price of organoclay, the Company’s ability to produce HectatoneTM products at a competitive price and to source sales contracts;
- exploration and development costs for the Cauchari-Olaroz Project and the Kings Valley 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 a feasibility study for lithium carbonate production at the Kings Valley 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 AIF 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 AIF 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.

DEFINITIONS AND OTHER INFORMATION

For a description of defined terms and other reference information used in this AIF, please refer to Schedule A.

Currency

All sums of money which are referred to herein are expressed in Canadian dollars, unless otherwise specified. References to United States dollars are referred to as "US\$".

Scientific and Technical Information

Dennis Bryan, an employee of the Company, has reviewed and approved the scientific and technical information in this AIF in respect of the Kings Valley Project. Mr. Bryan is considered, by virtue of his education, experience and professional association, to be a QP for the purposes of NI 43-101.

CORPORATE STRUCTURE OF THE COMPANY

Name, Address and Incorporation

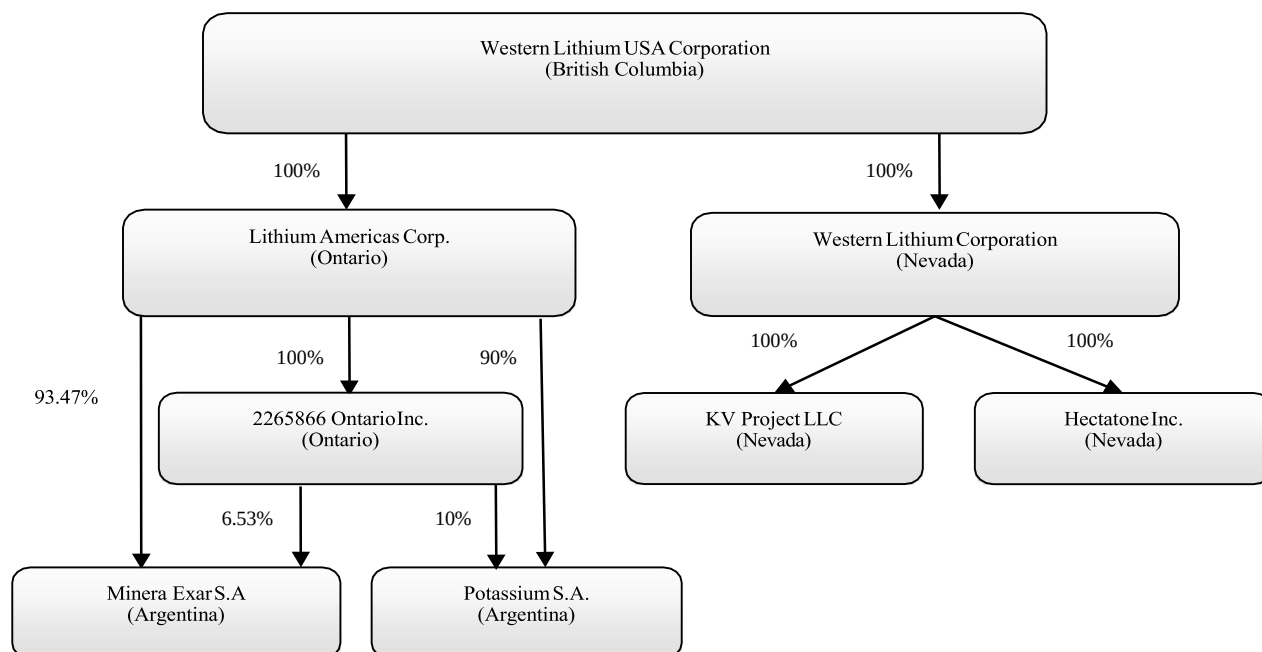
The Company was incorporated under the BCBCA on November 27, 2007 under the name Western Lithium Canada Corporation. By special resolution of the shareholders of the Company dated June 19, 2008, the

Company subdivided its issued share capital on a ratio of 35,000,000 to 1. On May 31, 2010, the Company changed its name to Western Lithium USA Corporation. On March 22, 2013, the Company amended its Articles to add advance notice requirements for the election of directors. On March 31, 2015, the Company amended its Articles to give the Board of Directors the authority by board resolution to alter the Company's authorized share capital and to effect amendments to the Articles, except as otherwise specifically provided in the Articles or the BCBCA.

The Company's head office and registered office are located at Suite 1100 – 355 Burrard Street, Vancouver, British Columbia, V6C 2G8.

Intercorporate Relationships

The corporate structure of WLC, its material subsidiaries, the jurisdiction of incorporation of such corporations and the percentage of equity ownership are set out in the following chart:



- (1) Pursuant to the JEMSE LOI, JEMSE may acquire an 8.5% equity interest in Minera. For more information please see “*Cauchari-Olaroz Project – Updates since Cauchari FS*”.

GENERAL DEVELOPMENT OF THE BUSINESS

Overview

WLC is a mineral exploration and development company. The Company is primarily focussed on the development of lithium-based mineral properties, and is currently developing two advanced exploration-stage projects as follows:

- *the Cauchari-Olaroz Project*: a lithium brine mineral project based in Jujuy, Argentina. 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 LCE at a lithium cut-off grade of 354 milligrams per litre, and a mine development plan that contemplates production of 20,000 tonnes per year of LCE;

- *the Kings Valley Project*: a smectite clay-based lithium project located in Nevada. The property has been the subject of resource estimation and a pre-feasibility study in which it is reported to host, in addition to extensive current and historical lithium resources, a lithium reserve of approximately 570,000 tonnes LCE at a lithium cut-off grade of 0.32% LCE, and a mine development plan that contemplates production of up to 20,000 tonnes per year of LCE.

For both projects, the Company is investigating innovative lithium extraction and processing technologies, and pursuing strategic alternatives with a view to securing near-term financing and development.

The Company has also developed the Hectatone™ Business in which it has recently commenced producing organophilic clay-based drilling additives (Hectatone™) and other rheology products through its Fernley Facility.

Three Year History

Fiscal 2013

In February 2013, the Company completed a Royalty Purchase Agreement with Orion pursuant to which Orion agreed to pay to WLC up to US\$20 million in two tranches, US\$11 million and US\$9 million, in consideration for the sale of a royalty on the Kings Valley Project. For more information please see “*Material Contracts – Royalty Purchase Agreement*”.

In May 2013, the Company announced that it had been awarded a patent from the United States Government (US 8,431,005) for its lithium extraction process that was filed in June 2011. The invention relates to the separation of lithium and potassium compounds from lithium-containing materials, primarily hectorite and other lithium-rich clays.

In September 2013, Orion provided the Company with funding of US\$5.5 million, by amending the terms of the existing royalty agreement between itself and the Company, pursuant to the Royalty Amending Agreement. For more information please see “*Material Contracts – Royalty Purchase Agreement*”.

Fiscal 2014

In January, 2014 LAC signed the Co-Operation Agreement with POSCO, Korea's largest steel company and a leader in the development of advanced materials processes. Pursuant to the Co-Operation Agreement, POSCO installed the Demo Plant at the Cauchari-Olaroz Project. For more information, please see “*Material Contracts – Co-Operation Agreement*”.

In February 2014, LAC launched the LAC Rights Offering and distributed to its shareholders an aggregate of 77,308,481 rights each exercisable to purchase one common share at \$0.24, a 40% discount to the volume weighted average trading price of LAC's common shares on the Exchange for the 20 trading days preceding the record date. The rights were listed and traded on the Exchange until noon on March 13, 2014, the expiry date of the rights. The LAC Rights Offering closed in March 2014.

In March 2014, the BLM Winnemucca District of Nevada issued a decision record and finding of no significant impact for an environmental assessment on a portion of the Kings Valley Project. The BLM's decision record allows the Company to develop and extract hectorite from a 110 acre area of the Stage 1 Lens, which clay could be used as feedstock for the Hectatone™ Business; in the Spring of 2014, the Company also received all required local, State of Nevada, and federal permits necessary to conduct such hectorite extraction from two open pits.

In May, 2014, the Company closed a short form prospectus financing in which it issued 15,870,000 May 2014 Units at a purchase price of \$0.58 per Unit, for aggregate gross proceeds to the Company of

\$9,204,600. In addition, the Company issued 1,031,550 brokers' warrants that entitle the holder to purchase one Common Share at a purchase price of \$0.58 per share until May 16, 2016. Dundee Securities Ltd., on behalf of a syndicate including Haywood Securities Inc., with RK Equity Capital Markets LLC acting as a U.S. Placement Agent, acted as underwriters for the financing.

Fiscal 2015

In October 2014, the Company's lithium demonstration plant in Germany was commissioned and start-up operations began to confirm equipment performance at design conditions. In September the calcination section of the plant successfully produced enough feed for the extraction plant to operate until mid-December. Initial indications from leaching confirm design recoveries. The crystallizer to concentrate lithium and obtain glaserite salt was also operational. The Company produced its first lithium carbonate batch in January 2015.

In December 2014, POSCO, LAC and Minera inaugurated the Demo Plant at the Cauchari-Olaroz Project. The Demo Plant achieved full and continuous operating rates throughout a test period that ended in late January 2015, producing over 20 tonnes of lithium phosphate. The lithium phosphate was exported to POSCO's facility in Pohang, Korea where it was further processed into lithium carbonate and lithium hydroxide.

In May 2015, the Company announced that it had entered into a convertible security funding agreement with an entity managed by Lind. An initial US\$2.8 million was funded pursuant to the issuance of an initial convertible security. For more information please see "*Material Contracts – Convertible Security Funding Agreement*".

In June 2015, the Company closed a short form prospectus financing whereby the Company issued an aggregate of 11,413,750 June 2015 Units at a price of \$0.70 per unit, raising aggregate proceeds of approximately \$8,000,000. In addition, the Company issued 741,894 agent's warrants that entitle the holder to purchase one Common Share at a purchase price of \$0.70 per share until June 9, 2017. The underwriters for the financing were Dundee Securities Ltd. on behalf of a syndicate that included Haywood Securities Inc.

In June 2015, the Company and LAC entered into the Arrangement Agreement to combine the respective companies. The transaction was structured as a statutory plan of arrangement of LAC under which the Company acquired all of the outstanding shares of LAC in an all-stock transaction. For more information please see "*Material Contracts – Arrangement Agreement*".

In July 2015, the Company closed the BCP Private Placement with BCP. Pursuant to the transaction, WLC issued to BCP subscription receipts convertible into Common Shares, while BCP deposited US\$5,000,000 in escrow, to be released in two tranches upon the conversion of the subscription receipts. For more information on the BCP Private Placement, please see "*Material Contracts – Investment/Subsription Agreement*".

In August 2015, the Company appointed PricewaterhouseCoopers LLP, Chartered Professional Accountants ("PwC") as its auditors.

In September 2015, the WLC and LAC completed the Arrangement. Shortly thereafter, 2,764,263 subscription receipts issued to BCP pursuant to the BCP Private Placement were converted into 3,023,412 Common Shares, and US\$1,500,000 was released from escrow to WLC.

Current Fiscal Year

In November 2015, the Company restructured its management team. Thomas Hodgson became the new CEO of the Company and John Kanellitsas was appointed Vice Chairman. Jay Chmelauskas remained as President of WLC. George R. Ireland was appointed as a director, filling the vacancy left by the death of R. Edward Flood in October.

In December 2015, the Company received a US\$5,000,000 line of credit from Geologic. For further information, please see “*Material Contracts – Line of Credit*”.

Trends and Outlook

The Company is actively pursuing development options for its lithium projects. At the Cauchari-Olaroz Project, this activity includes negotiation with POSCO for a joint venture on all or a portion of the Cauchari-Olaroz Project as contemplated by a Heads of Agreement signed in September 2015, along with other potential strategic and development options.

The Heads of Agreement is a legally non-binding document that provides the basic framework and conditions to establish a joint venture company that would develop and operate a large portion of the Cauchari-Olaroz Project. The Heads of Agreement contemplates that POSCO will contribute its proprietary lithium extraction technologies for the production of lithium carbonate and lithium hydroxide to the joint venture, while LAC will contribute brine from the Cauchari-Olaroz Project. POSCO would finance the capital expenditures required for an initial phase of 2,500 tonnes commercial production, ahead of the Joint Venture Company raising project financing for 20,000 tonnes.

At the Kings Valley Project, the Company is also investigating potential strategic partnerships and development alternatives. WLC is conducting pilot phase production of lithium carbonate at its pilot plant in Germany. The purpose of the lithium pilot plant is to produce lithium carbonate and by-product samples on pilot scale equipment for strategic investors and potential off-take partners to observe, and to complete a feasibility study demonstrating the commercial viability of the project using WLC’s patented technology, in order to attract engineering and construction capital.

The Company is pursuing commercial sales arrangements for the Hectatone™ Business. WLC is also expanding the range of potential applications for its Hectatone production in order to diversify its business operations in light of the current downturn in oil and gas exploration in the United States.

Competitive Conditions

Lithium currently has many end uses, including ceramics and glass, batteries, greases, air treatment, and pharmaceuticals. However, it is the battery industry that is expected to drive the majority of future growth for lithium. This growth in batteries is expected to come from several areas: (i) the continued growth of small format batteries for cell phones, laptops, digital cameras and hand held power tools, (ii) the transportation industry’s electrification of bicycles, motorcycles, automobiles, buses, and boats using lithium-ion battery technology, and (iii) large format batteries for utility grid-scale storage.

The global supply of lithium is currently dominated by four companies. Three of the companies (Sociedad Quimica y Minera de Chile S.A., Rockwood Lithium (SQM) and FMC Corporation) supply lithium from brines. Each of these three companies has brine operations in the “Puna Plateau”, with Albermale Lithium also having a brine operation in the United States and a spodumene (hard rock) operation in Australia. The fourth company, Sichuan Tianqi Lithium Industries, produces lithium from a spodumene deposit where it has a 51% interest, and Albemarle has a 49% interest.

WLC believes that the supply of lithium carbonate is expected to increase in the next 12 to 24 months as various new lithium producers complete project construction.

Environmental Protection

The Company's operations are subject to various government laws and regulations concerning safety and environmental protection. The EIS has been approved by the authorities in Argentina for the Cauchari-Olaroz Project and all permits required to start mine construction have been issued to the Company based on its current mine plan, as described in the Cauchari FS. Within the United States, the Company has received approvals, including environmental approvals by local, State and Federal authorities to commence the mining of hectorite clay in support of the Hectatone™ Business. Environmental studies for lithium mining operations at the Kings Valley Project are ongoing.

Social or Environmental Policies

The Company aims to minimize the impact of its operations on both local communities and the environment. At the Cauchari-Olaroz Project, a Social Responsibility Plan was developed to incorporate best practices on these matters. The Social Responsibility Plan was prepared in accordance with the Ecuador Principles. The Company has, in accordance with the principles in its Social Responsibility Plan, entered into agreements with the aboriginal communities located proximate to the Cauchari-Olaroz Project that aim to promote social development through high quality job creation, training, access to medical assistance and other infrastructure. WLC is also committed to developing the Kings Valley Project in a responsible and sustainable manner. The Company takes its responsibilities seriously to protect the environment, to conduct business based on high ethical standards and to make a positive difference in the communities in which it operates.

Risk Factors

An investment in the Company's securities is highly speculative and subject to a number of risks at any given time. The following is a description of the principal risk factors affecting the Company.

Risks related to resource development

The Cauchari-Olaroz Project and the Kings Valley Project may not be developed as planned and the Company may not achieve the intended economic results or commercial viability.

The Company's business strategy depends in large part on developing the Cauchari-Olaroz Project and the Kings Valley Project into one or more commercially viable mines. Whether a mineral deposit will be commercially viable depends on a number of factors, including: (i) the particular attributes of the deposit, such as size, grade and proximity to infrastructure; (ii) commodity prices, which are highly cyclical; and (iii) government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of mineral resources, environmental protection and capital and operating cost requirements. Despite the completion of a feasibility study at the Cauchari-Olaroz Project and a pre-feasibility study at the Kings Valley Project, there can be no assurance that the Company will ever develop either one of these projects as planned. If the Company is unable to develop all or any of its projects into a commercial operating mine, its business and financial condition will be materially adversely affected.

Market prices for key end-use products will greatly affect the value of the Company and the ability of the Company to develop the Cauchari-Olaroz Project and the Kings Valley Project.

The ability of the Company to develop the Cauchari-Olaroz Project and the Kings Valley Project will be significantly affected by changes in the market price of lithium and potassium based end products, such as lithium carbonate. The market price of these commodity-based products fluctuates widely and is affected by numerous factors beyond WLC's control, including world supply and demand, pricing characteristics for alternate energy sources such as oil and gas, the level of interest rates, the rate of inflation, and the stability of currency exchange rates. Such external economic factors are influenced by changes in international investment patterns, various political developments and macro-economic circumstances. In addition, the price of lithium products is determined by their purity and performance. A fluctuation in these product prices may affect the value of the Company and the potential value of its properties.

There is risk to the growth of lithium markets.

The development of lithium operations at the Cauchari-Olaroz Project and the Kings Valley Project is almost entirely dependent on the adoption of lithium-ion batteries for electric vehicles and other large format batteries that currently have limited market share and whose projected adoption rates are not assured. To the extent that such markets do not develop in the manner contemplated by the Company, then the long-term growth of lithium products will be adversely affected, which would inhibit the potential for development of the projects, their potential commercial viability and would otherwise have a negative effect on the business and financial condition of the Company.

The Company may not consummate a commercialization agreement with POSCO.

The Heads of Agreement with POSCO contemplates implementation of commercial arrangement for the Cauchari-Olaroz Project that the Company believes would greatly enhance its prospects for development financing and its commercial viability as an operating mine. The Heads of Agreement is non-binding and several important commercial terms of such an arrangement are not yet finalized. There is no guarantee that the parties will consummate a commercialization agreement with POSCO on terms as contemplated in the Heads of Agreement or at all. If WLC does not reach such an agreement, it will need to secure alternate arrangements to support development financing and production, which in turn could delay or prevent the future development of the Cauchari-Olaroz Project.

POSCO's technology is proprietary and not subject to any independent economic study.

The Company believes that POSCO's lithium extraction technology has the potential to greatly improve the financial viability of the Cauchari-Olaroz Project. However, POSCO alone is responsible for the development of the technology and management and operation of the Demo Plant, and the Company currently does not have any rights or ownership interest in the Demo Plant installed by POSCO on the Cauchari-Olaroz Project or the technology used to process the lithium therein. Unless and until such time as WLC completes a commercialization agreement with POSCO, it will not be able to integrate POSCO's lithium extraction technology into the Cauchari-Olaroz Project development planning. Further, the Company has not yet conducted its own analysis of the results of lithium processing operations on the Cauchari-Olaroz Project using POSCO's technology, and accordingly the Company cannot predict the successful application for commercial production of POSCO's proprietary technology to the brine extracted from the Cauchari-Olaroz Project.

There is a risk that WLC will not obtain required government permits and operations will be limited by government-imposed limitations.

Government regulations relating to mineral rights tenure, permission to disturb areas and the right to operate can adversely affect WLC. The Company may not be able to obtain all necessary licenses and permits that may be required to carry out exploration or mining at the Cauchari-Olaroz Project and the Kings Valley Project. Obtaining the necessary governmental permits is a complex, time-consuming and costly process. The duration and success of efforts to obtain permits are contingent upon many variables not within the Company's control. While WLC holds permits to construct and operate the Cauchari-Olaroz Project in accordance with the mine plan established in the Cauchari FS, any amendments to this mine plan, including those that may occur as a result of a joint venture with POSCO, would need to be approved by regulatory authorities in Argentina. At the Kings Valley Project, the permitting process for lithium mining operations is incomplete at this time. There can be no assurance that all necessary approvals and permits will be obtained and, if obtained, that the costs involved will not exceed the Company's prior estimates. It is possible that the costs and delays associated with the compliance with such standards and regulations could become such that the Company would not proceed with the development of the Cauchari-Olaroz Project or the Kings Valley Project.

As a result of a review conducted in 2015, the U.S. Fish and Wildlife Service recently determined not to list sage-grouse under the *Endangered Species Act*. However, the BLM finalized a land use plan amendment that helps to conserve greater sage-grouse habitat. The BLM considers the sage-grouse to be a special status species, and has designated the Kings Valley project area as a Priority Habitat Management Area. BLM has also designated the Kings Valley Stages 2-5 a Sagebrush Focal Area ("SFA"). SFAs are more sensitive areas within a Priority Habitat Management Area. The BLM recently initiated steps to withdraw SFA-designated lands from location and entry under the *Mining Act*, subject to valid existing rights. An immediate segregation, which lasts up to two years (with an option for a two year extension) until BLM decides whether to make the withdrawal permanent, prohibits the location of any new mining claims in the designated areas.

As a result, WLC anticipates that it will be required by BLM to implement varying stages of mitigation measures for sage-grouse habitat throughout development of its Kings Valley Project. WLC understands that the BLM can impose conditions on access, project design, and periods of use where needed to limit impacts to sage-grouse habitat. WLC further understands that if it files notices of intent to operate or applications for plans of operation for Stages 2-5, BLM may require a validity exam for some or all of the mining claims associated with Stages 2-5. Further, due to the requirement of a validity exam in Stages 2-5 areas, there is a risk that development may be subject to time delays or restrictions or mitigation measures in order to address sage-grouse habitat protection that could compromise the economic viability of future development of the Kings Valley Project.

There is technology risk to the development of the Cauchari-Olaroz Project and the Kings Valley Project.

To the Company's knowledge, lithium carbonate has never been commercially produced from a smectite hectorite clay resource. While the Company has conducted extensive testing that has produced high quality lithium carbonate using known industry processes and equipment, the processes contemplated by WLC for production of lithium at the Kings Valley Project have not yet been demonstrated at commercial scale and there is a risk that the Company will not be able to do so. With respect to the Cauchari-Olaroz Project, similar to solid rock deposits, production from brine-recovery projects may be less than in situ volume/grade-based estimates. In the case of brine-recovery projects, the primary extractability limitations are related to low permeability zones, from which brine does not readily flow. A possible analogy in solid rock deposits may be high grade zones for which recovery is not economically feasible due to surrounding

lower grade materials, therefore actual production from brine-recovery projects may be less than in situ grades or quantities.

There are political risks associated with the Company's foreign operations.

The Company's properties are located in Argentina and the United States, exposing it to the laws governing the mining industry in those countries. Changes, if any, in mining or investment policies or shifts in political attitude in any of the jurisdictions in which the Company operates may adversely affect the Company's operations or profitability. Regardless of the economic viability of the Company's interest in the Company's properties, and despite being beyond the Company's control, such political changes could have a substantive impact on the Company that may prevent or restrict mining of some or all of any deposits on the Company's properties.

The Company's operations in Argentina expose WLC to heightened risks relating to prevailing political and socioeconomic conditions which have historically included, but are not limited to: high rates of inflation; military repression; social and labour unrest; violent crime; extreme fluctuations in currency exchange rates; expropriation and nationalization; renegotiation or nullification of existing concessions, licenses, permits and contracts; changes in taxation policies; restrictions on foreign exchange and repatriation; and changing political norms, currency controls and governmental regulations that favour or require the Company to award contracts in, employ citizens of, or purchase supplies from, a particular jurisdiction. As an example, in May 2012, the government of Argentina re-nationalized *Yacimientos Petrolíferos Fiscales*, the country's largest oil and gas company. There can be no assurance that the government of Argentina will not nationalize other businesses operating in the country, including the business of the Company

The Company has limited history as an exploration company and does not have any experience in putting a mining project into production.

The Company has never completed a mining development project and does not generate any revenues from production. The future development of properties found to be economically feasible will require the construction and operation of mines, processing plants and related infrastructure and the Company does not have any experience in taking a mining project to production. As a result of these factors, it is difficult to evaluate the Company's prospects, and the Company's future success is more uncertain than if it had a more proven history. In addition, the Company is and will continue to be subject to all the risks associated with establishing new mining operations, including: the timing and cost, which can be considerable, of the construction of mining and processing facilities; the availability and cost of skilled labour and mining equipment; the need to obtain necessary environmental and other governmental approvals and permits and the timing of the receipt of those approvals and permits; the availability of funds to finance construction and development activities; potential opposition from non-governmental organizations, indigenous peoples, environmental groups or local groups which may delay or prevent development activities; and potential increases in construction and operating costs due to changes in the costs of fuel, power, materials and supplies.

It is common in new mining operations to experience unexpected costs, problems and delays during construction, development and mine start-up. In addition, delays in the early stages of mineral production often occur. Accordingly, the Company cannot provide assurance that its activities will result in profitable mining operations at its mineral properties.

Mineral development projects are subject to operational risks.

The Company's operations are subject to all of the risks normally incidental to the exploration for and the development and operation of mineral properties. The Company has implemented comprehensive safety

and environmental measures designed to comply with or exceed government regulations and ensure safe, reliable and efficient operations in all phases of its business. Nevertheless, mineral exploration and exploitation involves a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Unusual or unexpected formations, formation pressures, fires, power outages, labour disruptions, flooding, explosions, tailings impoundment failures, cave-ins, landslides and the inability to obtain adequate machinery, equipment or labour are some of the risks involved in mineral exploration and exploitation activities.

Changes in government regulations may affect the Company's development of the Cauchari-Olaroz Project and the Kings Valley Project.

Changes to government laws and regulations may affect the development of the Cauchari-Olaroz Project and the Kings Valley Project. Such changes could include laws relating to taxation, royalties, the repatriation of profits, restrictions on production, export controls, environmental and ecological compliance, mine safety and numerous other aspects of the business.

Provincial governments of Argentina have considerable authority over exploration and mining in their province and there are Argentinean provinces where the provincial government has taken an anti-mining stance by passing laws to curtail or ban mining in those provinces. The current provincial government of Jujuy Province, where the Cauchari-Olaroz Project is situated, is supportive of the exploration and mining industry, and the Company and JEMSE, the Jujuy government's mining Company, have entered into a letter of intent whereby JEMSE will receive an 8.5% equity interest in Minera and is to pay for this interest from dividends from future profits from operations. Nevertheless, such sentiment and situation may change in the future.

Changes to environmental requirements could significantly increase the Company's costs.

WLC must comply with stringent environmental regulation in carrying out work on the Cauchari-Olaroz Project and the Kings Valley Project. Environmental regulations are evolving in a manner that is expected to require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. Changes in environmental regulations and associated agency requirements could delay and/or increase the cost of exploration and development of the Cauchari-Olaroz Project and the Kings Valley Project.

The Company may not be insured against all risks involved in its business operations.

In the course of exploration, development and production of mineral properties, certain risks, and in particular, unexpected or unusual geological operating conditions and other environmental occurrences may occur. It is not always possible to fully insure against such risks and, even where such insurance is available the Company may decide to not take out insurance against such risks. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the Company.

The Hectatone™ business operations are subject to risks and hazards, such as fire and explosion. These risks and hazards may be caused by, among other things, the explosive suppression systems and technologies which will be used at the Fernley Facility to remove explosive gases. The Company maintains liability insurance in accordance with industry standards, however the nature of these types of risks is such that liabilities could exceed policy limits and the Company could incur significant costs that could have a material adverse effect on its business, results of operations and financial condition.

There is mineral tenure risk associated with the Kings Valley Project.

The Mining Act authorizes the Company to develop and mine the minerals on the UM Claims that form the Kings Valley Project which are locatable under the Mining Act. The Mining Act does not explicitly authorize the owner of an unpatented mining claim to sell minerals that are leasable under the MLLA, as amended. Leasable minerals include potassium and sodium. The Interior Board of Land Appeals of the Department of the Interior has held that, under certain circumstances, the owner of an unpatented mining claim has the authority and right to process and sell minerals governed by the MLLA, particularly when they are by-products of the processing of minerals which are locatable under the Mining Act. This matter has not yet been definitively determined in respect of the Kings Valley Project.

The Company operates in a highly competitive mining industry.

The mining industry is competitive in all of its phases, including financing, technical resources, personnel and property acquisition. It requires significant capital, technical resources, personnel and operational experience to effectively compete in the mining industry. Because of the high costs associated with exploration, the expertise required to analyse a project's potential and the capital required to develop a mine, larger companies with significant resources may have a competitive advantage over WLC. The Company faces strong competition from other mining companies, some with greater financial resources, operational experience and technical capabilities than WLC possesses.

The Company also plans to purchase certain supplies and retain the services of various companies in Argentina to meet its future business plans. It may be difficult to find or hire qualified people in the mining industry who are situated in Argentina or to obtain all of the necessary services or expertise in Argentina or to conduct operations on its projects at reasonable rates. If qualified people and services or expertise cannot be obtained in Argentina, the Company may need to seek and obtain those services from people located outside of Argentina which will require work permits and compliance with applicable laws and could result in delays and higher costs to the Company to conduct its operations in Argentina.

As a result of this competition, the Company may be unable to maintain or acquire financing, personnel, technical resources or attractive mining properties on terms it considers acceptable.

The viability of the Hectatone™ Business has not been demonstrated.

The Company has not conducted an independent economic analysis of the financial viability of its Hectatone™ Business. It has, however, completed extensive financial planning derived from business plans that are based on likely outcomes from sales and marketing efforts. Hectatone Inc. has run trial production batches for six products and is currently developing two products. Product pricing is based on a number of factors including product formulation, end-use market, and customer's volume requirements. There are market price indicators to support short-term price assumptions for the purposes of economic analysis. There is greater risk of failure for a business operation in which there has not been an analysis of its financial viability.

There is a market acceptance risk associated with the Hectatone™ Businesses.

The success of the Hectatone™ business will depend upon its current and proposed products meeting acceptable cost and performance criteria in the marketplace. There can be no assurances that the Company's products will meet applicable price or performance objectives or that unanticipated technical, regulatory or other problems will not occur which would result in increased costs or material delays.

Mineral resources and mineral reserves disclosed by the Company are only estimates.

The mineral resources and reserves estimates included in this AIF are estimates only. No assurance can be given that any particular level of recovery of minerals will in fact be realized or that identified mineral reserves or mineral resources will ever qualify as a commercially mineable (or viable) deposit which can be legally and economically exploited. In addition, the grade of mineralization which may ultimately be mined may differ from that indicated by drilling results and such differences could be material. Production can be affected by such factors as permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations and work interruptions. The estimated mineral resources and reserves described in this AIF should not be interpreted as assurances of commercial viability or potential or of the profitability of any future operations. Investors are cautioned not to place undue reliance on these estimates.

In addition, inferred mineral resources are quoted in the Amended and Restated Technical Report, but these have not been considered in any economic assessment provided in the prefeasibility study. Inferred mineral resources have a great amount of uncertainty as to their existence, and economic and legal feasibility. Accordingly, there is no assurance that inferred mineral resources will ever be upgraded to a higher category. Investors are cautioned not to assume that part or all of an inferred mineral resource exists, or is economically or legally mineable.

Failure to maintain continued operation of the Fernley Facility would negatively impact the Company's business.

An interruption in or the loss of operations, or the failure to maintain the labour force at the Fernley Facility could delay or postpone production of the Hectatone™ products, which could have a material adverse effect on the Company's business, results of operations and financial condition. In addition, the Fernley Facility is dependent upon critical equipment, such as extruders, dryers, packing, conveyance systems and a quaternary amine dispenser, and this equipment may incur downtime as a result of unanticipated failures, causing plant shutdowns or periods of reduced production as a result of such equipment failures. Unexpected production delays due to injury, delay in receiving spare parts for equipment, interruption due to earthquake, flood or severe weather, delays in supply chain of raw materials, particularly quaternary amine and various clays used in the production process could have a material adverse effect on the Company's business, results of operations and financial condition. No assurance can be given that a significant shutdown will not occur in the future or that such a shutdown will not have a material adverse effect on the Company's business, results of operations or financial condition.

Hectatone™ products compete with other materials.

The use of Hectatone™ products depends in large part on the state of deep well and directional drilling to access deposits of oil and gas. In the case of certain product applications, Hectatone™ products compete with a number of other materials such as polymers and other competitors of organoclay. Improvements in the technology, production, pricing or acceptance of these competitive materials relative to Hectatone™ or other changes in the industries for these competitive materials could have a material adverse effect on the Company's business, results of operations and financial condition.

The Company relies on third party suppliers for its Hectatone™ Business. The Company has taken steps to identify alternative suppliers of raw materials to reduce these risks, but there can be no guarantee that the Company could secure such alternate supply on a timely basis or for similar costs as currently projected. Any material increase in the cost of these minerals, or the inability by the Company to source third party suppliers for the supply of these minerals, could have a material adverse effect on the Company's business, results of operations and financial condition.

In addition, there is ongoing research and technological developments with respect to the various processes associated with the production of drilling additives and other products for new markets, which have the potential to reduce costs and improve performance. It is possible that certain developments could substantially impair the Company's competitive position if other companies implement new technology and the Company does not, or cannot.

The Company may face opposition to mining projects.

The Cauchari-Olaroz Project and the Kings Valley Project, like many mining projects, may have opponents. Opponents of other mining projects have, in some cases, been successful in bringing public and political pressure against mining projects. In the event there is opposition to Cauchari-Olaroz Project and the Kings Valley Project, the Company's development of such properties may be delayed or prevented even if such development is found to be economically viable and legally permissible.

The Cauchari and Olaroz salt lakes are not subject to reservoir management rules.

There are no unitization or reservoir management rules governing the salt lakes on which the Company's Cauchari-Olaroz Project is situated or on any of the other salt lakes at which the Company holds mining or exploration permits. Unitization is the joint, coordinated operation of a reservoir by all the owners of rights in the separate tracts overlying the reservoir. Without unitized operation of the reservoir, the "rule of capture" results in competitive drilling, extraction and production with consequent economic and physical waste, as each separate owner attempts to secure his or her "fair share" of the underground resource by drilling more and pumping faster than its neighbour. As a result, the lack of unitization and reservoir management rules on the salt lakes on which the Company operates may materially adversely affect the Company's operations and production.

The aboriginal communities located on the Cauchari-Olaroz Project may not honour the current surface access agreements with Minera.

Minera has entered into six agreements for surface access with the aboriginal communities located on the exploitation area of the Cauchari-Olaroz Project. Should any of the aboriginal communities decide not to honour such agreements, Minera would be required to enforce its statutory access rights under the provisions of the Argentinean Mining Code; however this would be a disruptive and potentially costly process. In addition, lack of surface access agreements with local communities could affect the renewal of the EIS.

Business risks

The Company has not yet achieved profitable operations and expects to incur further losses in the development of its business.

The Company's ability to continue as a going concern is dependent upon the ability to generate future profitable operations and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. The Company expects to report net losses and comprehensive losses for the financial year ending September 30, 2016. The Company's business does not currently operate on a self-sustaining basis and its ability to continue as a going concern is dependent on raising additional funds.

The Company will require additional funding, potentially diluting the holdings of existing shareholders or increasing financial risk through debt issuance.

The Company has limited financial resources and is subject to significant capital requirements associated with its expanded portfolio of projects following the Arrangement. There is no assurance that the Company

will be able to generate funds from operations or to obtain sufficient financing in the future on terms acceptable to it. The ability of the Company to arrange additional financing in the future will depend, in part, on prevailing capital market conditions as well as the business performance of the Company. Failure to obtain additional financing on a timely basis may cause the Company to postpone, abandon, reduce or terminate its operations and could have a material adverse effect on the Company's business, results of operations and financial condition.

A likely source of future financing is the sale of additional Common Shares, which would mean that each existing shareholder would own a smaller percentage of the Common Shares then outstanding. Alternatively, the Company may rely on debt financing and assume debt obligations that require it to make substantial interest and capital payments. Also, the Company may issue or grant warrants or options in the future pursuant to which additional Common Shares may be issued. Exercise of such warrants or options will result in dilution of equity ownership to the Company's existing shareholders.

The Company may also sell an interest in the Cauchari-Olaroz Project, Kings Valley Project or an additional royalty therein, or may also sell an interest in its Hectatone™ Business, any of which would mean that each existing shareholder would own a smaller percentage of the Cauchari-Olaroz Project, Kings Valley Project, or the Hectatone™ Business, respectively.

The Company may have difficulty completing integration from the Arrangement.

The Company recently completed the Arrangement, which has resulted in a substantial expansion of its assets and business operations and requires the integration of management, employees and infrastructure into one combined enterprise. While the Company has commenced this process, it is not complete. The Arrangement has changed the scale of the Company's business and operations, and has exposed the Company to new geographic, political, operating, financial and management-related risks. The Company may have difficulty completing this integration, realizing anticipated synergies and maximizing the financial and strategic position of the combined enterprise, and maintaining uniform standards, policies and controls across the organization; the integration of the acquired business or assets may disrupt the Company's ongoing business and its relationships with employees, suppliers and contractors. There can be no assurance that the Company would be successful in overcoming these risks or any other problems encountered in connection with such acquisitions.

There is intellectual property risk associated with the Company.

The Company and its subsidiaries rely on the ability to protect their intellectual property rights and depend on patent, trademark and trade secret legislation to protect its proprietary know-how. There is no assurance that the Company has adequately protected or will be able to adequately protect its valuable intellectual property rights, or will at all times have access to all intellectual property rights that are required to conduct its business or pursue its strategies, or that the Company will be able to adequately protect itself against any intellectual property infringement claims. There is also no assurance that our competitors will not be able to develop similar technology, processes or know how independently, that the Company's trade secrets will not be revealed, that the claims allowed with respect to any current or future patents pending, or patents now held, will be broad enough to protect the Company's intellectual property rights, or that foreign intellectual property laws will adequately protect such rights. Failure of any intellectual property rights to provide protection to the Company could result in its competitors offering similar Hectatone™ products or utilizing its lithium extraction process. Any adverse outcome that the Company may experience whilst attempting to obtain, maintain or enforce its intellectual property rights could have a material adverse effect on the Company's business, results of operations and financial condition.

The Company is dependent on the expertise of consultants.

The Company has relied on, and may continue to rely on, consultants and others for mineral exploration and exploitation expertise. The Company believes that those consultants are competent and that they have carried out their work in accordance with internationally recognized industry standards. However, if the work conducted by those consultants is ultimately found to be incorrect or inadequate in any material respect, the Company may experience delays or increased costs in developing its properties.

The Company has no history of paying dividends.

WLC has not paid dividends on its Common Shares since incorporation and presently has no ability to generate earnings as its mineral properties are in the exploration stage. If the Kings Valley Project or the Cauchari-Olaroz Project are successfully developed, the Company anticipates that it will retain future earnings and other cash resources for the future operation and development of its business. The Company does not intend to declare or pay any cash dividends in the foreseeable future. Payment of any future dividends is solely at the discretion of the Board of Directors, which will take into account many factors including the Company's operating results, financial conditions and anticipated cash needs. For these reasons, WLC may never pay dividends.

There is no assurance that the Company will be able to acquire additional mineral properties.

There is no assurance that the Company will be able to acquire other mineral properties of merit, whether by way of option or otherwise, should the Company wish to acquire any properties in addition to the Cauchari-Olaroz Project or the Kings Valley Project.

The success of the Company is largely dependent on a few key individuals.

The success of the Company will be largely dependent upon the performance of its key officers, consultants and employees. Locating mineral deposits depends on a number of factors, not the least of which is the technical skill of the exploration, development and operating personnel involved. Failure to retain key individuals or to attract, and, if attracted, retain additional key individuals with necessary skills could have a materially adverse impact upon the Company's success. The Company has not purchased any "key-man" insurance with respect to any of its directors, officers or key employees and has no current plans to do so.

The Company's business is affected by fluctuations in currency exchange rates.

Business is transacted by the Company primarily in Canadian, U.S. and Argentinean currencies. Fluctuations in exchange rates may have a significant effect on the cash flows of the Company. The Argentinean peso has been subject to large devaluations and revaluations in the past and may be subject to significant fluctuations in the future. Future changes in exchange rates could materially affect the Company's results in either a positive or negative direction. The Company's Kings Valley Project and Hectatone™ Business are located in Nevada and most of the property related expenditures, exploration and development costs are denominated in U.S. dollars. The Company's Cauchari-Olaroz Project is located in Argentina where costs are denominated in the Argentinean peso. Appreciation of U.S. or Argentinean currency compared to Canadian currency could make property expenditures more expensive for the Company. While the Company does not engage in foreign exchange hedging it holds a significant portion of its cash balance in U.S. currency in order to meet its U.S. obligations.

Conflicts of interest may arise for certain directors and officers of the Company.

Certain directors and officers of the Company are, or may become, associated with other natural resource companies which may give rise to conflicts of interest. In accordance with the BCBCA, directors who have a material interest in any person who is a party to a material contract or a proposed material contract with

the Company are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract. In addition, directors and the officers are required to act honestly and in good faith with a view to the best interests of the Company.

The Company does not have any long term contracts and significant customers.

Other than the distribution agreement with Raw Materials Corporation, the Company has not entered into any long term contracts or obtained any significant customers for its Hectatone™ products, and therefore, has no assured sources of revenue.

The Company may not be able to achieve and manage its expected growth.

A transition or one or both of the mineral projects to a development and operating stage, as well as growth of the Hectatone™ Business, may place a strain on managerial, financial and human resources. The Company's ability to succeed in these endeavours will depend on a number of factors, including the availability of working capital, existing and emerging competition, the ability to maintain sufficient profit margins and to recruit and train additional qualified personnel.

The Company's share price is subject to market volatility.

The market price of a publicly traded stock, especially a resource issuer such as WLC, is affected by many variables in addition to those directly related to exploration successes or failures. Such factors include the general condition of markets for resource stocks, the strength of the economy generally, the availability and attractiveness of alternative investments, and the breadth of the public markets for the stock. Therefore, investors could suffer significant losses if the Company's shares are depressed or illiquid when an investor seeks liquidity.

There may be difficulties in conducting business in Argentina through a foreign subsidiary.

The Company conducts its business in Argentina through its Argentinean subsidiary, Minera. Any limitation on the transfer of cash or other assets between the Company and the Argentinean subsidiary or the perception that such limitation may exist now or in the future, could have an adverse impact on the Company's valuation and the price of its Common Shares.

DESCRIPTION OF THE BUSINESS

Cauchari-Olaroz Project

The scientific and technical information contained under the heading "*Cauchari-Olaroz Project Summary*" below is derived from the Cauchari FS which was prepared by (i) Mark King, PhD, Pl. Geo.; and (ii) Daron G. Abbey M.Sc., P.Geo., both of whom are independent QP's for the purposes of NI 43-101. A copy of the Cauchari FS is available on the Company's website at www.westernlithium.com and SEDAR at www.sedar.com.

In the Cauchari FS, the QPs propose to build the Cauchari-Olaroz Project in two stages, with each stage consisting of a 20,000 TPA lithium carbonate facility and a 40,000 TPA potash facility. The Cauchari FS only includes a mine plan for the first stage. The second stage would be the subject of a separate study to be undertaken by the Company. Stage 2 is expected to improve the already positive Cauchari-Olaroz Project financials for Stage 1, as outlined in the Cauchari FS. No estimated financial results associated with Stage 2 are included in the Cauchari FS results.

Update since Cauchari FS

POSCO

Since the Cauchari FS was published in June of 2012, for the remainder of 2012, LAC received final permits for the construction of the Cauchari-Olaroz Project. In 2013, LAC was focussed on preserving cash and engaging in negotiations with potential strategic partners. In 2014 LAC entered into the Co-Operation Agreement with POSCO pursuant to which it located its Demo Plant at the Cauchari-Olaroz Project. In August 2015, LAC and POSCO entered into a Heads of Agreement regarding the commercialization of the Cauchari-Olaroz Project. The Heads of Agreement is non-binding and non-exclusive, and provides the framework and conditions to establish a joint venture company for the development of the Cauchari-Olaroz Project, in which POSCO would contribute to the joint venture its proprietary lithium extraction technologies for the production of lithium carbonate and lithium hydroxide, while LAC would contribute brine from the Cauchari-Olaroz Project.

The Cauchari FS does not take into consideration the potential impact of the use of POSCO's proprietary technology at the Cauchari-Olaroz Project. POSCO has developed a proprietary lithium extraction technology which it believes has numerous advantages compared to traditional lithium brine evaporation technology. Specifically, POSCO claims that its technology produces lithium considerably quicker; it minimizes the environmental footprint associated with large scale evaporation ponds; and has a recovery rate which is significantly higher. The higher recovery rates associated with POSCO's processing technology should result in a project requiring fewer production wells for a given level of production, thereby reducing the capital cost requirements for the wells as compared to traditional evaporation technology. In addition, higher recovery rates would serve to increase the effective size of a lithium resource, thereby extending the life of a project. The Demo Plant was installed on the property and POSCO conducted testing in 2014 and early 2015. The Demo Plant is intended to serve as the final stage of testing in the commercialization plan for its lithium extraction process, POSCO having previously operated pilot plants on different project sites in 2011 and 2013.

JEMSE LOI

In November 2012, LAC entered into a letter of intent with JEMSE, whereby JEMSE may acquire an 8.5% equity interest in the Cauchari-Olaroz Project in consideration for \$1 and providing management services as required to develop the project. These management services include liaison with the national customs authorities, with the governing bodies of the province of Jujuy and the municipality of Susques, with the authorities of Argentina's Central Bank to facilitate the import and export of currency, and sourcing local service and other providers for project-related matters. JEMSE would only acquire this equity position upon completion of project financing for the Cauchari-Olaroz Project.

JEMSE would be required to cover its pro rata share of financing requirements for the construction of the Cauchari-Olaroz Project. These funds would be loaned to JEMSE by the Company and would be repayable out of one-third of the dividends to be received by JEMSE from Minera over future years of the Cauchari-Olaroz Project.

A definitive agreement with JEMSE is contemplated for completion at the time that project financing is obtained.

Property Description, Location and Access

The Cauchari and Olaroz Salars are located in the Department of Susques in the Province of Jujuy in northwestern Argentina, approximately 250 km northwest of San Salvador de Jujuy, the provincial capital. The nearest port is Antofagasta (Chile), located 530 km to the west. Access is via paved National Highways

9 and 52, which connect the site to San Salvador de Jujuy and Salta in Argentina. The midpoint between the Olaroz and Cauchari Salars is located on Highway 52, 55 km west of the Town of Susques. In addition, Highway 52 connects to Paso Jama, a national border crossing between Chile and Argentina, providing connection to Chilean Route 27 and granting convenient access to Antofagasta and Mejillones, likely embarkation ports for the product. Access is possible through a gravel road (Route 70) which skirts the west side of the salars, this road is approximately 1 km from the plant site.

LAC acquired its interest in the Cauchari-Olaroz Project, through its Argentinean subsidiary Minera, through direct staking or entering into exploration contracts with third party property owners. The claims are contiguous and cover most of the Cauchari Salar and the eastern portion of the Olaroz Salar. The area that contains the resource and reserve estimate is covered by mining concessions which grant the holder a perpetual mining right subject to the payment of a fee and an agreed upon investment.

LAC entered in usufruct agreements whereby it acquired the rights to the exploration and exploitation of subsoil brine at the Cauchari Olaroz Project while the concession holders retained the rights to mine borax. In June 2009, LAC entered into a usufruct agreement with Los Boros whereby it agreed to pay Los Boros a royalty of US\$300,000 at the beginning of commercial production and a three percent net profit interest on commercial production. LAC has the option to purchase the 3% NPI royalty for a one-time payment of US\$7,000,000. In May 2011, LAC entered into a usufruct agreement with Borax Argentina S.A., pursuant to which it started to pay Borax Argentina S.A. an annual royalty of US\$200,000 in May of each year. There are no other royalties related to the Cauchari-Olaroz Project.

The above mentioned agreements with private mineral rights owners are independent of, and do not impinge upon the right of the Provincial Government to charge a royalty of up to 3% of the value of the mineral at well head. LAC also entered into the JEMSE LOI, whereby JEMSE may acquire an 8.5% interest in the Cauchari Olaroz Project.

The surface rights of the area subject to exploitation are owned by local aboriginal communities. LAC signed contracts with each aboriginal community to have the right to develop the mine and for surface use, water use, transit, and building ponds and facilities. LAC also agreed to support local communities through a number of infrastructure and education programs.

History

Historically, Rio Tinto has mined borates on the western side of Cauchari, at Yacimiento de Borato El Porvenir. Grupo Minero Los Boros S.A. mines a few thousand tonnes per year of ulexite on the east side of the Olaroz Salar. No other mining activity (including lithium production) has been recorded at the properties comprising the Cauchari-Olaroz Project. LAC acquired mining and exploration permits across the Cauchari and Olaroz Salars during 2009 and 2010 and initiated lithium exploration activities over these claims during 2009.

Geological Setting, Mineralization and Deposit Types

Geology

There are two dominant structural features in the region of the Cauchari and Olaroz Salars: north-south trending high-angle normal faults and northwest-southeast trending lineaments. The high-angle north-south trending faults form narrow and deep horst-and-graben basins which are accumulation sites for numerous salars, including Olaroz and Cauchari. Basement rock in this area is composed of Lower Ordovician turbidites (shale and sandstone) intruded by Late Ordovician granitoids. It is exposed to the east, west and south of the two salars, and generally along the eastern boundary of the Puna Region.

The salars are in-filled with flat-lying salar deposits, including the following five primary informal lithological units that have been identified in drill cores: red silts with minor clay and sand; banded halite beds with clay, silt and minor sand; fine sands with minor silt and salt beds; massive halite and banded halite beds with minor sand; and medium and fine sands.

Alluvial deposits intrude into these salar deposits to varying degrees, depending on location. The alluvium surfaces slope into the salar from outside the basin perimeter. Raised bedrock exposures occur outside the salar basin. The most extensive intrusion of alluvium into the basin is the Archibarca Fan, which partially separates the Olaroz and Cauchari Salars. Route 52 is constructed across this alluvial fan. In addition to this major fan, much of the perimeter zone of both salars exhibits encroachments of alluvial material associated with fans of varying sizes.

Mineralization

The brines from Cauchari are saturated in sodium chloride with total dissolved solids on the order of 27% (324 to 335 grams per litre) and an average density of about 1.215 grams per cubic centimetre. The other primary components of these brines include: potassium, lithium, magnesium, calcium, sulphate, bicarbonate, and boron as borates and free boric acid. Since the brine is saturated in NaCl, halite is expected to precipitate during evaporation. In addition, the Cauchari brine is predicted to initially precipitate ternadite as well as a wide range of secondary salts that could include: astrakanite, schoenite, leonite, kainite, carnalite, epsomite and bischofite.

Deposit Type

The Cauchari and Olaroz Salars are classified as “Silver Peak, Nevada” type terrigenous salars. Silver Peak, Nevada in the USA was the first lithium-bearing brine deposit in the world to be exploited. These deposits are characterized by restricted basins within deep structural depressions in-filled with sediments differentiated as inter-bedded units of clays, salt (halite), sands and gravels. In the Cauchari and Olaroz Salars, a lithium-bearing aquifer has developed during arid climatic periods. On the surface, the salars are presently covered by carbonate, borax, sulphate, clay and sodium chloride facies. Cauchari and Olaroz have relatively high sulphate contents and therefore both salars can be further classified as “sulphate type brine deposits”.

Exploration

Other than drilling, the exploration programs conducted on the Cauchari-Olaroz Project area included the following:

- Seismic Geophysical Program – Seismic surveying was conducted to support delineation of basin geometry, mapping of basin-fill sequences, and siting borehole locations.
- Time Domain Electromagnetic (TEM) Survey – TEM surveying was conducted to attempt to define fresh water and brine interfaces within the salar. The TEM survey results indicate that the method can be used to determine resistivity contrasts within the salar.
- Vertical Electrical Sounding (VES) Survey – A VES survey was conducted to attempt to identify fresh water and brine interfaces, and extensive fresh water occurrences. The VES results enabled the differential of the five zones on the Archibarca Fan and salar perimeter locations. The VES results are also useful for general delineation of the fresh water/brine interface on the salar boundary.
- Surface Water Sampling Program – An ongoing program is conducted to monitor the flow and chemistry of surface water entering the salars. Data acquired from this program supported the water

balance calibration and numerical groundwater modelling.

- **Pumping Test Program** – Pumping and monitoring wells were installed and pumping tests were conducted at five locations to estimate aquifer properties related to brine recovery and fresh water supply.
- **Boundary Investigation** – This test pitting and borehole program was conducted to assess the configuration of the fresh water/brine interface at the salar surface and at depth, at selected locations on the salar perimeter. Data from this program were interpreted in conjunction with the VES survey and support the extension of the hydrostratigraphic model and the lithium grade interpolation to the outer boundaries of the salar and the evaluation of numerical model boundary conditions for lithium.
- **Numerical Modelling** – A detailed numerical evaluation of existing natural brine conditions and predicted responses to long term brine pumping was conducted to support the reserve estimate on the property.

The above exploration initiatives along with several other programs such as surface sampling, a gravity survey, airlift testing program and the drill programs were used to support the resource and reserve estimates at the Cauchari-Olaroz Project as set out herein.

Drilling

Reverse Circulation (RC) Borehole Drilling

In September 2009 and August 2010, LAC conducted dual tube reverse circulation drilling to develop vertical profiles of brine chemistry at depth in the salars and to provide geological and hydrogeological data. The program included installation of 24 boreholes and collection of 1,487 field brine samples (and additional Quality Control samples). The sampled brines had a relatively low Mg/Li ratio, indicating that the brines would be amenable to a conventional lithium recovery process.

Diamond Drilling (DD) Borehole Program

Diamond drilling at the Cauchari-Olaroz Project was conducted between October 2009 and August 2010. This program was conducted to collect continuous cores for geotechnical testing and geological characterization. The program included 29 boreholes, some of which were completed as observation wells for future brine sampling and monitoring, and collection of 127 field brine samples (and additional Quality Control samples).

Sampling, Analysis and Data Verification

Sampling Method

During RC drilling, rock chips and brine were directed from the drill cyclone into a plastic bag, over a one meter interval. After the field measurements were taken, the brine sample was split into three, one-litre, clean plastic sample bottles. Two samples were mixed to form one sample, which was shipped to ASA. During diamond drilling PQ or HQ diameter cores were collected through a triple tube sampler. The cores were taken directly from the triple tube and placed in wooden core boxes for geologic logging, sample collection, and storage. Undisturbed samples were shipped to D.B. Stephens & Associates Laboratory in the USA for analysis of geotechnical parameters. Brine sampling was conducted in selected DD program borehole locations. A two-valve low-flow pump was used to extract brine samples from the subsurface. After analysis of field and filed laboratory parameters, brine samples were split into three, one-litre, clean, plastic sample bottles. Two samples were mixed to form one sample, which was shipped to ASA.

Security

Samples were taken daily from the drill sites and stored at the Susques field office of LAC. All brine samples were stored inside a locked office, and all drill cores were stored inside a locked warehouse adjacent to the office. Brine samples were picked up from the Susques field office by the analytical laboratory every Friday and transported to Mendoza in a laboratory truck. Solid samples were periodically driven to Jujuy approximately three hours from the site. In Jujuy, solid samples were delivered to a courier for immediate shipment to the appropriate analytical laboratory.

Assaying and analytical procedure

Brine samples were analyzed by ASA, a laboratory independent from the Company. For the first six RC boreholes, sulphate was assayed using the turbidimetric method, with checking of 20% of samples using the gravimetric method. Subsequent samples were analyzed using only the gravimetric method. The argentometric method was used for assaying chloride and volumetric analysis was used for carbonates. Laboratory measurements were conducted to total dissolved solids, density and pH. D.B. Stephens and Associates Laboratory carried out selected geotechnical analyses on undisturbed samples from the geologic cores. Specific gravity was conducted for four formation samples as well as the relative brine release capacity method which is used to predict the volume of solution that can readily be extracted from an unstressed geologic sample.

Quality Assurance and Quality Control

Brine samples were bottled directly from the pumping test weirs and assayed at ASA, with some confirmatory assays done at Acme Santiago and the University of Antofagasta. LAC has been running a quality control program to monitor the quality of assays from ASA, which includes the insertion of a field blank, a field duplicate, and one of two remaining standards that appear to be relatively stable. These data were compiled by LAC staff and then sent to Smee and Associates Consulting Ltd. for confirmation of the accuracy and precision of the analysis.

Data verification

The QP's responsible for the preparation of the Cauchari FS, conducted the following forms of data verification: visits to the Cauchari-Olaroz Project site and LAC corporate office; review of LAC sampling procedures, although it is noted that actual brine sampling was not viewed due to the nature of the geologic units encountered by the RC drill at the time of the site visits; inspection of original laboratory results forms for the LAC brine dataset; inspection of electronic copies of the LAC brine dataset and comparison with corresponding stratigraphic logs; review and inspection of LAC field and laboratory QA/QC results; review of publicly available information from an adjacent exploration property in Olaroz Salar; inspection of borehole logs; inspection of the Cauchari-Olaroz Project database; review of all data handling methods and procedures; inspection of original laboratory results forms for the LAC brine dataset and the Cauchari-Olaroz Project database.

Mineral Processing and Metallurgical Testing

For the brine processing development in the Salar de Cauchari contemplated in the Cauchari FS, several tests were prepared in different qualified laboratories and also in pilot facilities located at the Cauchari-Olaroz Project. The Cauchari FS does not take into consideration the potential impact of POSCO's proprietary mineral processing technology used at the Demo Plant.

The determinations of the evaporation path was made in laboratories of Universidad de Antofagasta (Chile) in late 2010 and early 2011. The tests were conducted on a brine without treatment and treated with CaO

to bring down the Mg and treated with CaCl_2 . Test results showed that it is possible to obtain a concentrated brine through an evaporation process by treating the brine with CaO to control Mg levels.

A further series of tests were performed in evaporation pans installed in the pilot plant sector in the Salar De Cauchari. All these results and analysis provided enough information for the mathematical model simulations and verify the prediction of the thermodynamic model, being able to predict the process and the thermodynamic properties of the brine.

In Minera's Laboratory, liming tests have been performed for decreasing the Mg content using different amounts of excess lime, measuring the rate of sedimentation and use of flocculants. The tests provided evidence of the amount of consumption lime required by the Cauchari-Olaroz Project.

With concentrated brine, solvent extraction bench testing was performed using various organic reagents capable of removing boron from the brine. Tests showed that the extraction process should be performed at pH=4 using HCl, and re-extraction at basic pH using a solution of sodium hydroxide. Carbonation tests were performed which established the ideal conditions which must be complied for each of the stages were obtained as well as the operating temperature and reagents dosage.

In the pilot plant located in the Salar de Cauchari, an entire string of ponds has been built to test the process of concentration and liming at a larger scale. The pond process showed better performance when liming was performed in the middle with excess lime of 10%. Similarly, it was verified that the use of CaCl_2 was not necessary because the Ca from the CaO is enough to stimulate the precipitation of a major portion of the SO_4 , so that Li losses do not prevent the production of Li brine. In the lithium carbonate pilot plant, the possibility of removing the more complicated impurities was tested without problems, such as B, Mg and Ca and it was also possible to produce Lithium Carbonate with yields higher than 85% from concentrated Li brine produced in the pilot solar evaporation ponds.

In addition to this sylvite flotation tests conducted at the Saskatchewan Research Counsel, Mining and Minerals division, were able to establish a suitable series of process for the recovery of potash for commercial grade fertilizer

Mineral Resource and Reserve Estimates

A Mineral Resource and Reserve Estimate for the Cauchari-Olaroz Project is summarized in the tables below for lithium and potassium, respectively. Both sets of results are expressed relative to a lithium grade cut-off of ≥ 354 mg/L, which was identified as a brine processing constraint by LAC engineers and have an effective date of July 11, 2012.

Lithium Resource and Reserve Summary

Description	Concentration (mg/L)	(cut-off 354 mg/L)		(m ³)
		Li (tonne)	Li_2CO_3 (tonne)	
Proven Reserves	679	37,000	197,000	5.50×10^7
Probable Reserves	665	477,000	2,517,000	7.16×10^8
Measured Resource	630	576,000	3,039,000	9.14×10^8
Indicated Resource	570	1,650,000	8,713,000	2.89×10^9

Potassium Resource and Reserve Summary

Description	Concentration (mg/L)	(cut-off 354 mg/L)		(m ³)
		K (tonne)	KCl (tonne)	
Proven Reserves	5483	302,000	576,000	5.50 x 10 ⁷
Probable Reserves	5395	3,863,000	7,378,000	7.16 x 10 ⁸
Measured Resource	5156	4,714,000	9,003,000	9.14 x 10 ⁸
Indicated Resource	4753	13,755,000	26,271,000	2.89 x 10 ⁹

- The values in the above tables are expressed as total contained metals. Reserve Estimate values are based on numerical model predictions of pumped brine (pre-processing).
- Extensive sampling indicates that the brine has a relatively low magnesium/lithium ratio (lower than three, on average), suggesting that it would be amenable to conventional lithium recovery processing. The brine is relatively high in sulphate which is also advantageous for brine processing because the amounts of sodium sulphate or soda ash required for calcium removal would be relatively low.

The lithium and potassium reserves described above occur in subsurface brine. The brine is contained within the pore space of salar deposits that have accumulated in a structural basin. A numerical groundwater model was developed for the central area of the basin, to support the reserve estimate. The model simulates long term brine recovery and is based on a rigorous assembly of groundwater flow and solute transport parameters.

Processing and Recovery Operations

LAC and its consultants subjected the brine chemistry of the Cauchari deposit to a process simulation, using physicochemical properties estimation methods and process simulation techniques for phase equilibrium of solids in electrolytes (brine), specially prepared for this project. This work has been supported by the results of laboratory evaporation test work and test work at both the pilot plant and the pilot ponds. The production of Lithium Carbonate is the main focus of the project; however, experimental work evidences that it is feasible to produce Potash from the recovery of discards of the previous process; therefore the Cauchari FS included this option.

Lithium Carbonate and Potash Production

In the mine plan, LAC contemplated adopting the following process route for the Cauchari brines: (i) brine extracted from the salar wells is subjected to solar evaporation in the pre-concentration ponds, allowing the removal of sulphates and other unwanted salts; (ii) then lime is added to remove magnesium and most of the sulphates; and (iii) after another concentration stage at the corresponding ponds, the concentrated lithium-rich brine is fed to the Lithium Carbonate plant and left over salts are delivered to the Potash plant.

The initial stage at the Lithium Carbonate plant is where boron is extracted through an organic solvent extraction process. Afterwards, the brine goes into two carbonation stages with sodium carbonate, after which Lithium Carbonate is obtained. Potash is obtained from the left over salts by means of a milling, attrition, repulping and flotation process. In the next two tables, operating criteria are presented for both the Lithium Carbonate plant and the Potash plant.

Lithium Carbonate Plant Operating Criteria

Description	Unit	Value
Li ₂ CO ₃ production	Tonnes per year	20,000
Feed grade of Li	%	0.052
Annual operation days	days	330
Annual operation hours	hours	7,700
Availability	%	90.4
Utilization (22 h/d)	%	97.2
Design factor	-	1.2

Potash Plant Operating Criteria

Description	Unit	Value
KCl production (fertilizer grade)	Tonnes per year	40,000
Feed grade of KCl (average)	%	17
Annual operation days	days	330
Annual operation hours	hours	7,700
Availability	%	90.4
Utilization (22 h/d)	%	97.2
Design factor	-	1.2

Infrastructure, Permitting and Compliance Activities

Equipment, Wells & Ponds

In the mine plan, LAC proposed to operate the production wells using submersible electric pumps with a designed slotted casing that would be located in the largest lithium concentrated brine layers. These pumps would send the brine to evaporation ponds.

For process pond design, an evaporation rate of 2,554 mm per year was adopted. Based on that evaporation rate, the total evaporation pond surface area required for the production of 20,000 TPA of Lithium Carbonate and 40,000 TPA of Potash is 656 ha, of which 60 ha are required for harvest and maintenance work.

Site Infrastructure and Support Systems

The infrastructure required for the development and operation of the Lithium Carbonate and Potash plants (including generators) include process buildings; products and supplies warehouses; a combined heat and power unit; substations and electrical rooms.

Heat and power would be sourced externally, and delivered on site through a four inch diameter pipeline, with a total length of approximately 50 km. The combined heat and power unit operates on natural gas and uses diesel as backup fuel. To provide the required energy for the brine extraction wells, evaporation ponds, Lithium Carbonate plant and Potash plant, the generation capacities are electrical power of 8.4 MW and thermal power 8.6 MW. Four electric generators are required, each one with a generating capacity of 2.1 MW. Thermal power heat is used to maintain the process fluids at a suitable temperature and allow the desired chemical reactions to develop.

In the mine plan, LAC proposes to build a permanent camp, for approximately 120 people.

Water demands for industrial use will be supplied by groundwater collecting adjacent to the salar. The wells will be located in the studied subbasins which presented favourable results. Installations for the production of Lithium Carbonate will be located close to industrial water wells. For the overall project, the estimated average consumption of industrial water is 80 liters per second $\pm$ 20%.

Environmental and Social Studies

LAC completed a number of environmental studies to support the establishment of Cauchari-Olaroz's environmental baseline. This evaluation was performed for each stage of the project: construction, operation and closure. In August 2012, the Provincial Environmental Agency of Jujuy Province, recommended approval of the EIS for the construction of the Cauchari-Olaroz Project.

LAC used Equador Principles as the basis for its minimum standards for developing the Cauchari-Olaroz Project. LAC development plan has been designed to promote social and economic development in a sustainable framework. LAC has signed formal contracts with the neighbouring communities that own the surface ground where the Project will be developed. According to these contracts, the communities grant LAC traffic and other rights, while the Company ensures them a regular cash flow, to be used as the members of the communities decide.

Permits and Authorities

Argentina has a provincial system to manage natural resources. Therefore, the province of Jujuy has the responsibility of providing social and environmental permits, through various departments and agencies.

These authorities have granted in due course all the authorizations and permits required for the exploration and test work carried out by LAC at the Cauchari-Olaroz Project. In December 2012, LAC received approval for the construction of the Cauchari-Olaroz Project from the agency in Jujuy tasked with assessing the impact and benefits to the province of any proposed lithium project.

Waste and Tailing Disposals

The evaporation process in the ponds leaves considerable amounts of salts on the bottom of the ponds. These salts must be removed and transported to nearby piles. These discarded salts can be considered as inert waste. The salts are generated from brines already present in the salar and do not introduce foreign compounds to it. They are composed of sodium chloride (common salt), sodium and calcium sulphates and boron. It is estimated that sodium chloride and sulphate make up over 87% of this waste. The Cauchari-Olaroz Project does not require a tailings dam.

Several possible sites for the evaporation ponds for the plant's industrial liquid wastes were analyzed. A location close to the plant, on the salar was chosen, which is not proximate to any populated areas. A total of 20 ha are required for this purpose.

Capital and Operating Cost Estimate

Capital Cost Estimate

The capital cost estimates are expressed in second quarter 2012 US dollars. No provision has been included to offset future cost escalation since expenses, as well as revenue, are expressed in constant dollars. The capital costs estimate includes direct and indirect costs for: General areas, such as electric, gas and water distribution; Brine production wells; Evaporation and concentration ponds; Lithium Carbonate plant Potash plant; Infrastructure, including gas pipeline, power plant, roads, offices, laboratory and camp, and other items. Contingencies, salaries, construction equipment mobilization, and other expenses. Expected confidence range of this estimate is $\pm$ 15%, while contingencies are estimated as 10% of direct and indirect

costs. The exchange rate between the Argentinean peso and the US dollar was assumed as AR\$4.420/US\$.

The capital investment for the 20,000 TPA Lithium Carbonate Cauchari Project, including equipment, materials, indirect costs and contingencies during the construction period is estimated to be US\$269 million. This total excludes interest expense that might be capitalized during the same period. Disbursements of these expenditures would start in year one of development. Sustaining capital expenditures total US\$28.5 million over the 40 year timeline of the mine plan.

The capital investment for the 40,000 TPA Potash Cauchari Project, including equipment, materials, indirect costs and contingencies during the construction period is estimated to be US\$45 million. This total excludes interest expense that might be capitalized during the same period.

The following items are not included in this estimate: sunk costs for a total of US\$36.5 million, considered in the economic evaluation only for tax purposes; detail engineering; legal costs; special incentives and allowances; permissions and construction insurance; escalation; interest and financing costs; and start-up costs beyond those specifically included.

Operating Cost Estimate

Operating costs were estimated as follows:

Operating Costs Summary

Description	Total KUS\$	Li₂CO₃ US\$/tonne	KCl US\$/tonne
Direct Costs			
Reagents	25,660	1,163	60
Salt Rem. and Trans.	4,015	124	38
Energy	4,968	191	29
Manpower	3,983	134	33
Cat. & Camp Services	1,311	44	11
Maintenance	2,842	103	19
Transportation	3,231	62	50
Direct Costs Subtotal	46,009	1,821	240
Indirect Costs			
G&A	1,487	56	9
Indirect Costs Subtotal	1,487	56	9
Total Costs	47,496	1,876	249

Lithium Carbonate production costs shown in the previous table were derived applying a 75/25 % cost split between Lithium Carbonate and Potash. It is also customary in the mining industry to report the cost of the main product net of the benefit produced by secondary products or by products, and in the Cauchari FS the authors include a net lithium carbonate unit operating cost estimate.

Economic Analysis

The economic analysis includes a before and after tax cash flow scenario. Prices for Lithium Carbonate were taken from a market study carried out by a third party. Potash was assumed to be sold 75% in Brazil and 25% in Argentina.

Evaluation criteria and tax assumptions used in developing the cash flow model are detailed in the corresponding section. Among them, it must be emphasized that the model assumes that the current tax and

royalty legislation and export retention levels remain unchanged for the life of the project. In addition, the model assumes no participation of the Jujuy Government in the equity of the project.

Production schedule

The production schedule and revenues are estimated in the Cauchari FS as follows:

Production Schedule, tonnes

Year	2013	2014	2015	2016	2017	2018	2019	2024	2034	2044	2054	Total
	1	2	3	4	5	6	7	12	22	32	42	
Li ₂ CO ₃	-	-	10,000	15,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	785,000
KCl	-	-			40,000	40,000	40,000	40,000	40,000	40,000	40,000	1,520,000

Production Revenues

Production Revenues

Medium Price Scenario, KUS\$												
	Year											TOTAL
	1	2	3	4	5	6	7	12	22	32	42	
Li ₂ CO ₃	-	-	57,000	87,000	114,000	116,000	120,000	150,000	154,000	154,000	154,000	5,804,000
KCl	-	-			18,780	18,750	20,030	21,000	21,000	21,000	21,000	792,560
Total	-	-	57,000	87,000	132,780	134,750	140,030	171,000	175,000	175,000	175,000	6,596,560

Other Expenses

Other expenses and cash flow items considered in the model include Argentinean transaction tax, Jujuy and private royalties, licenses and permits, export retentions and refunds, easement rights, equipment depreciation, sustaining capital, exploration expenses amortization and remediation allowances.

Economic Evaluation Results

Project Evaluation Results Summary

Price Case	High	Medium	Low
	(MUS\$)		
CAPEX	314	314	314
Max. Negative Cash Flow	292	292	292
	Values, year 20 (MUS\$)		
Revenue	213	175	127
OPEX	47	47	47
Other Expenses	14	11	7
EBITDA	152	117	72
	Before Taxes (MUS\$)		
NPV (8%)	988	738	368
Simple Pay Back¹	2 Y, 10 M	3 Y, 2 M	4 Y, 8 M

Price Case	High	Medium	Low
DCF (8%) Pay Back¹	3 Y, 11 M	4 Y, 5 M	7 Y, 2 M
IRR	26.3%	23.4%	16.8%
After Taxes (MUS\$)			
NPV (8%)	627	464	218
Simple Pay Back¹	3 Y	3 Y, 3 M	4 Y, 9 M
DCF (8%) Pay Back¹	4 Y, 5 M	5 Y, 1 M	8 Y, 6 M
IRR	22.3%	19.9%	14.3%

1 Measured from the end of the capital investment period

Exploration and Development

Based on the results of the Cauchari FS, LAC had previously identified its goal of achieving commercial production of battery grade lithium carbonate, using traditional evaporation technology, during 2016. Since the date of the Cauchari FS, there has been minimal exploration and development activity by LAC on the Cauchari-Olaroz Project, as the focus has been on securing financing and investigating other development alternatives.

Kings Valley Project

The scientific and technical information contained under the heading “*Kings Valley Project*” has been derived from the Amended and Restated Technical Report which was prepared by: (i) D. Erik Spiller, MMSA; (ii) Edwin Lips, P.E.; (iii) Vicky J. Scharnhorst, P.E.; (iv) Mario Rossi, FAusIMM; and (v) Timothy J. Carew, P. Geo., all of whom are independent QP’s for the purposes of NI 43-101. A copy of the Amended and Restated Technical Report is available on the Company’s website at www.westernlithium.com and SEDAR at www.sedar.com.

Overview

The Kings Valley Project consist of a series of approximately 2,758 UM Claims that host five clay lenses containing significant lithium mineralization.

The five lenses that host the lithium deposits of the Kings Valley Project were originally identified by Chevron as part of a series of exploration programs conducted in the 1970s and 1980s. The five lenses occur in sequence running south to north and have been designated PCD (Stage 1) Lens, South (Stage 2) Lens, South Central (Stage 3) Lens, North Central (Stage 4) Lens and North (Stage 5) Lens.

The Company has completed exploration and development work on two of the lenses within the Kings Valley Project, being the PCD Lens (or Stage 1 Lens) and the South Lens (or Stage 2 Lens). The Company has completed a pre-feasibility study and declared lithium reserves for a mining operation on the Stage 1 Lens. The Company also contemplates extracting hectorite clay from a portion of the Stage 1 Lens as feedstock for Hectatone™ production.

Summary of Mineral Title Regime

The underlying title to the Kings Valley Project is held through a series of UM Claims. UM Claims provide the holder with the rights to all locatable minerals on the relevant property however, this interest remains subject to the paramount title of the federal government which maintains a fee simple title on the land.

The holder of a UM Claim holds a possessory right to the UM Claim and the right to extract and sell the minerals located on it. The owner must meet the obligations for UM Claims as required by the Mining Act.

At this time, the principal obligation imposed on the holders of UM Claims is to pay an annual maintenance fee which represents payment in lieu of assessment work required under the Mining Act. The annual fee of US\$155 per claim is payable to the BLM, Department of the Interior. Under Nevada law, the UM Claim owner is obligated annually to record a notice of intent to hold the UM Claim and to pay a fee of US\$10.50 for each UM Claim to the county recorder of the county in which the UM Claim is located. The owner of a UM Claim must obtain numerous federal, state and local approvals and permits required in order to commence extraction and production of the minerals. In Nevada, such approvals and permits include approval of a PoO by the BLM. Locatable minerals covered by the UM Claims include lithium and hectorite clay. The Mining Act does not specifically grant the owner the right to extract and sell potassium which is a potential by-product of lithium production on the Kings Valley Project. Valuable deposits of potassium are leasable under the Mineral Lands Leasing Act of 1920, as amended, but the potassium to be produced from the Kings Valley Project is recovered as a by-product from the tailings produced during the lithium recovery process and as such the Company considers potassium to be the Company's property. See “*General Development of Business – Risk Factors*” for further details.

Property Description and Location

The Kings Valley Project comprises an area of approximately 15,233 hectares within Humboldt County, Nevada, that is approximately 100 km north-northwest of Winnemucca and 40 km west-northwest of Oroville, Nevada. Situated in a remote section of northern Nevada, the Kings Valley Project consists primarily of sparsely populated ranch land within, and surrounded by, BLM lands on the northwest, western and southern sections of the McDermitt caldera. WLC holds the UM Claims indirectly through Western Lithium Nevada and KVP. A small number of the Company's claims are located, and registered, in Miller County, Oregon.

In connection with the Royalty Purchase Agreement, as amended by the Royalty Amending Agreement, Orion holds a royalty on all production from the Kings Valley Project, which entitles them to receive an 8% royalty payable until royalties in an amount equal to the aggregate purchase price of US\$22 million have been paid, after which time the royalty will decrease to 4.0%, subject to the Company's right to reduce the royalty rate to 1.75% on payment to Orion of an additional \$22 million.

Additional royalties exist over: (i) the U 17-20 Claims, consisting of a net smelter return royalty of 1.5% on production from the U 17-20 Claims, that provides for an advance payment of \$1,785 annually; and (ii) the U 21-22, 24, 44, Uravada 23, 25-30, 46-56 (even), and 61-69, consisting of a net smelter return royalty of 3.0% that provides for an advance payment of \$50,000 annually, in each case advanced payments will be credited against royalty payments otherwise payable. These UM Claims do not cover the Stage 1 Lens or Stage 2 Lens, and are not the focus of the Company's current activities.

The Company holds a current exploration permit in good standing, and has done so in each year since 2006, and also holds all necessary federal and state permits and approvals to conduct exploration activities at the Stage 1 Lens.

A PoO was submitted to the BLM in May 2008 for an extensive drilling and trenching exploration program to further delineate the resources of the Stage 1 Lens. That action included preparation of an environmental assessment. A revision to the PoO was filed in November 2009 and approved in January 2010.

The BLM and Nevada authorities approved a PoO and environmental impact Statement, and granted authorization for the Company to develop and extract lithium bearing clay from a 110 acre area of the Stage 1 Lens. With all required environmental permits successfully obtained, hectorite clay can now be selectively extracted from two open pits at the Kings Valley Project for use as feedstock for the Hectatone™ Business.

No environmental liabilities are known to exist at the Kings Valley Project, other than an accrued

decommissioning obligation of approximately \$170,000.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

Access to the Kings Valley Project is via a paved highway until approximately 70 km north from Winnemucca to Orovada and then heading west-northwest for 33 km on a paved highway toward Thacker Pass to the project area. On-site access is via numerous gravel and dirt roads. Roads are all season and in generally good repair, but may be closed for short periods due to extreme weather in the winter. The nearest railroad access is located in Winnemucca. Elko, 264 km east of Winnemucca, and Reno, 264 km southwest of Winnemucca (both on U.S. Highway 80), offer commercial air service.

Northern Nevada has a high desert climate with cold winters (average minimum -3°C in January) and hot summers (up to $35\text{--}40^{\circ}\text{C}$). Snow is expected from October to May, although it typically melts quickly. Nearby mining operations operate continuously throughout the winter. Elevations in the Stage 1 Lens area are 1,434 m to 1,624 m and in the Stage 2 Lens are 1,524 m to 2,150 m. Vegetation consists of sagebrush and grasslands at all elevations.

Due to the large-scale gold mining industry in the Winnemucca area, local resources include all of the amenities required for large-scale mining. There are several gold and copper mines in the area, providing an experienced work force and adequate support for mining operations. Most of the workers may have to be sourced in Winnemucca because of the sparse population in the project area.

Adequate electrical power is available to the Stage 1 Lens to support Case 1, but power lines may need to be added and/or upgraded to provide power to the project site. Currently, there is a 115 kilovolt power line that passes through the project area. Water is available in the region and water rights have been obtained and can be sourced from the adjacent Quinn River Valley which is in the same watershed basin as the project site. An independent groundwater study has been completed by Schlumberger Water Services. There is sufficient space within the project area to accommodate the processing plant and mine support facilities, overburden placement site, anticipated dry tailings storage facility, the limited wet tailings storage facility, water diversions, and containments.

History

The UM Claims constituting the Kings Valley Project were previously held by Chevron, which began exploration for uranium in the McDermitt Caldera area in 1975. Early in Chevron's program the USGS alerted Chevron to the presence of anomalous concentrations of lithium associated with the caldera. Chevron's activities continued into 1978 and 1979 with a drilling program that evaluated the thickness of the clays, obtained samples of the clay for engineering analysis, and further investigated the lithium resource potential. From 1980 to 1987, Chevron continued to drillholes on lithium targets and conducted extensive metallurgical testing of the hectorite deposits to determine amenability of the deposits to extraction of lithium.

Chevron leased many of the UM Claims that comprise the Kings Valley Project to J.M. Huber Corporation in 1986. In 1991, Chevron sold its interest in the UM Claims to Cyprus. In 1992, J.M. Huber Corporation terminated the lease and it appears that Cyprus allowed the claims to lapse and provided much of the exploration data to Jim LaBret, one of the UM Claim owners from which they had leased UM Claims.

WEDC leased Mr. LaBret's UM Claims in 2005, at which time he provided WEDC access to the Chevron data and to core and other samples that were available. WEDC also staked 1,643 federal lode claims covering the area that was prospective for lithium, but subsequently dropped 320 of them. WEDC then compiled the Chevron exploration data and commenced preliminary marketing studies.

On December 20, 2007, Western Lithium Nevada entered into a lease with WEDC. Western Lithium Nevada conducted a drill program on Stage 1 Lens from late 2007 to May 2008 and completed an initial resource estimate on the property. This was followed by metallurgical testing and completion of a preliminary assessment on the Stage 1 Lens that was disclosed in the Stage 1 PAEE in January 2010.

On March 11, 2011, the Company acquired title to the UM Claims constituting substantially all of the Kings Valley Project pursuant to the Purchase and Sale Agreement. See “*General Development of the Business Kings Valley Project – Summary of Mineral Title Regime*”.

Geological Setting

The Kings Valley Project is located in the McDermitt Caldera, a well preserved Miocene collapse structure in north-western Nevada and southern Oregon. Because of the good exposures and preservation of the caldera complex, the area has been the focus of significant research activity over several decades by the USGS.

Volcanic activity began approximately 27 million years ago with eruption of interlayered basaltic, andesitic, and dacitic flows and tuffs. The volcanic units were deposited on a basement of Cretaceous granitic rocks with significant topographical relief. Explosive rhyolitic volcanism began approximately 18.7 million years ago and resulted in formation of a number of extensive ignimbrites (ash flow tuffs) and resultant nested calderas. The rhyolites of the McDermitt Caldera are anomalous in lithium and mercury and slightly anomalous in uranium when compared to average rhyolite. Lithium reaches 300 ppm in both ignimbrites and glassy tuffs, approximately six times greater than average rhyolite. Volcanic activity concluded by resurgence of the central part of the caldera, intrusion of rhyolite into the ring fracture zones around the caldera, and formation of a “moat” between the topographic wall of the caldera and resurgent dome in the center of the caldera. This moat then filled with volcanoclastic sedimentary rocks in a lacustrine environment. Hydrothermal alteration of the volcanoclastic sedimentary rocks or other processes produced hectorite and possibly other lithium-bearing minerals within the moat-filling sediments.

Chemical analysis of the unit showed that it is peralkaline rhyolite. Between 18 and 15.8 million years ago, four additional large-volume ignimbrites formed by eruptions. Most were peralkaline rhyolites with a total thickness of approximately 560 m. Each of these ignimbrite eruptions caused caldera collapse which formed a complex of nested calderas. The best preserved caldera is located in the extreme southern part of the complex and is informally known as the Calavera caldera which is nearly circular and approximately 18 km across.

Within the local geology are the five clay-based lenses that form the Kings Valley Project. The important rock type is a lithium-rich claystone that may be the product of intense hydrothermal alteration of volcanoclastic rocks or the product of clay formation in the bottom of an alkaline lake. The general continuity and geometry of the deposits has been defined by drilling in all five areas on about 500 m centers. Drilling at the Stage 1 Lens has confirmed continuity of the mineralization to as close as 60 m.

The Stage 1 Lens is the southernmost and smallest of the mineralized lenses in the area. The lens is composed of an approximately 3 to 5 m thick layer of alluvium underlain by lithium enriched interbedded claystones, ash-rich clays and ash layers up to 60 to 90 m thick in the northwest and southwest ends of the project area. These claystone-ash layers thin in the middle of the proposed pit coinciding with faulting and a predominance of brown-black basalts. Interbedded basalts occur fairly shallowly in the northwest end of the pit and are found deeper in the southeast end. The lithium-rich beds with higher lithium concentrations (>4,000 ppm) are generally found deeper in the deposit (below 30 m). The base deposit varies across the project area averaging between 68 to 90 m and is marked by an obvious transition to an oxidized silicified claystone and ash layer.

The Stage 2 Lens mineralized beds are comprised mainly of a dark green claystone, at times intercalated with arkose beds and, in the North-East region of the modelled area, a fanglomerate body. Lithium-rich beds are generally 10 to 60 m thick in most areas. WLC's drilling shows that the average thickness of lithium mineralization is thicker than that indicated by Chevron data, because, as was the case in the Stage 1 Lens, some of the Chevron holes stopped in mineralization.

Mineralization

The primary minerals of interest are hectorite, a trioctahedral smectite clay that contains variable amounts of lithium and other lithium bearing clays. Hectorite appears to be associated with three distinct zeolite alteration assemblages: relatively unaltered volcanic glass, clinoptilolite-feldspar and analcime-potassium feldspar. These zones correspond, in a general way, to the amount of lithium enrichment in the clays. Clay in the glassy sediments generally contains the least amount of lithium; clinoptilolite-feldspar contains an intermediate amount; and analcime-potassium feldspar contains the highest concentrations.

The analcime-potassium feldspar zone occurs along the western edge of the McDermitt Caldera. Here clay beds are 30 or more meters thick and contain as much as 0.65% lithium. This is the area that hosts the Kings Valley Project. The multiple lithium-bearing clay beds in this area are reasonably well indurated and uniformly light to dark green. The Stage 1 Lens is the southernmost lens in the area of interest.

Exploration drilling by the Company in the Stage 1 Lens has resulted in identifying clay-rich sequences with lithium concentrations exceeding those in previous studies. The overall weighted average concentration for clays and clay/ashes is roughly 0.25% in the project area. However, if only clay, clay/ash and ash intervals exhibiting 0.4% or more are considered, then the average concentration is between 0.5% and 0.6% for clay intervals and 0.4% and 0.5% for ash and clay/ash intervals.

At the Stage 2 Lens, mineralization is continuous over significant areas and appears to be thicker than other areas based on recent drilling, with most of the modeled area hosting 50 m or more of lithium mineralization above 1,000 ppm. The average grade for intercepts greater than 1,000 ppm is about 2,565 ppm with maximum grades in excess of 4,000 ppm lithium. Three to seven meters of alluvium cover much of the deposit.

Exploration

Exploration on the Kings Valley Project has consisted mainly of geological mapping to delineate the limits of the moat volcanoclastic sedimentary rocks and drilling to determine the grade and location of mineralization. Much of the area has been covered by airborne gamma ray spectrometry, but those data are not pertinent to exploration for lithium. Initial exploration in the region began with a focus on uranium, but switched primarily to lithium in the late 1980s when Chevron still controlled the mining interests. There is no record of other exploration in the project area.

Claim surveying was performed by third party consultants using theodolites and laser-source electronic distance meters to survey the claims. WLC used a Trimble differential GPS to survey collar locations.

In addition to drilling, the Company developed two test pits on the Stage 1 Lens in January 2010 to obtain large bulk samples for metallurgical testwork. A total of 15 samples were collected for assay. Intervals were selected to make a composite which would approximate the ore body. These composites were shipped to the Outotec GmbH facility in Germany for testwork.

The topographic surface of the project area was mapped by aerial photography at 0.35 m resolution in 2010 using third party consultants. This information was obtained by MXS, Inc. for WLC. The flyover resolution

was 0.35 m. Ground control and field surveys of drillhole collars, spot-heights and ground-truthing were obtained using Trimble equipment.

In August 2013, the Company announced that it had completed the excavation of a bulk sampling site to produce and test its Hectatone™ organoclay products at its Fernley Facility. The target clay lens was encountered, as expected, at a depth of approximately 3 m below an alluvial surface layer comprised primarily of silt, sand and gravel. The clay lens measured approximately 2 to 3 m in thickness and was continuous across the approximate 25 by 30 m area of excavation. The viscosity gel results (over night Fann test) indicated good gelling characteristics in order to meet American Petroleum Institute guidelines. The clay was of high purity and amenable to producing an organoclay using a dry processing method.

Drilling

WLC drilled 51 core holes on the project area between 2007 and 2009 to expand on Chevron's drilling work. These holes were drilled with the primary aim of defining lithium occurrences in and the geology of the deposit. WLC drilled 37 core holes for assay and lithologic information and five RC holes to compare drilling techniques. The RC method produced biased assay results in the Stage 2 Lens area so the method was abandoned. Seven PQ-sized holes were drilled to support metallurgical testwork. Two sonic holes were drilled to test the drilling procedure.

WLC conducted another drill campaign at the Stage 1 Lens in January 2010, drilling an additional 161 holes to support resource estimation. The drillhole spacing was prescribed by the geostatistical methods which included variography to determine optimal spacing for inclusion in inferred, indicated and measured categories. The geologic model included a total of 197 holes and a total length of approximately 18,500 m, Chevron drillholes were excluded from the model. All drillholes included in the resource estimate were drilled essentially vertically (88.8 to 90 degrees) with the exception of one hole which was drilled at 70 degrees. All mineralization thicknesses recorded in boreholes are treated as true thicknesses.

A total of 38 additional HQ (63.5 millimeter) diameter core holes were drilled by WLC in the Stage 2 Lens area during 2009, and two of the Chevron core holes were re-analyzed by WLC, showing grades for all four elements of interest, lithium, potassium, sodium and fluorine.

WLC also analysed drill core from Chevron, although data from these holes was not included in the geological model used for resource estimation.

Sampling Analysis and Security

Drilled core was brought to the core shed from the field; the boxes of core were logged, photographed, cut and sampled by Company employees and consultants. The length of the assay samples was determined by the geologist by lithology and averaged 1.46 m. The core was cut in half with diamond blade saws and the right half bagged for sampling. For duplicate samples, one half of the core is cut in half again and the two halves are bagged and sampled separately to test sampling and assay precision. Each sample was assigned a unique identification number to ensure security and anonymity. Randomly inserted in the sample stream were QA/QC samples, which represent 11% of the total assays. The QA/QC samples include blanks to test for contamination, high and low grade lithium standards to test for accuracy and duplicates to test for precision.

Drilled core samples from the Stage 1 Lens drill program were primarily sent to ALS of Reno, Nevada. The samples were picked up by ALS in trucks that arrive from Winnemucca or are delivered to ALS by WLC employees. At ALS, the samples were dried at a maximum temperature of 60 degrees Celsius and the entire sample was then crushed with a jaw crusher to 90% passing a ten mesh screen. Nominal 250 gram splits

were taken for each sample using a rifle splitter. This split is pulverized using a ring mill to 90% passing a 150 mesh screen.

ALS's analysis included four-acid digestion and inductively coupled atomic emission plasma spectroscopy to ensure that elevated metal concentrations were not present which would interfere with inductively coupled plasma mass spectroscopy analyses.

Approximately 6% of the QA/QC samples did not conform to the established criteria. The Company re-assayed the highest 16 lithium values for drillholes WLC-01 through WLC-37 and WLC-40 through WLC-200. Following this re-testing, it was concluded that the overall deposit estimates may be lower by at most 2-3%, which is considered within industry standards.

The QP who conducted the review of the Stage 1 sampling program recommended changes be adopted for future drilling programs, including check coarse duplicates (after first crush, usually 10 mesh material); sending pulp and coarse duplicates to a second laboratory; adding a standard in the 1,500 to 2,500 ppm Li range (to ensure adequate accuracy around the presumed economic cut-off grades); and adding a potassium standard (obtained from the Stage 1 Lens area). The QP also recommended that the protocols and procedures for QA/QC be compiled and made part of an overall QA/QC document for the project, to include field sampling practices, sample preparation and assaying protocols, laboratory QA/QC and database validation.

Sampling of drill core from the Stage 2 Lens was substantially similar to the format used in the Stage 1 Lens.

The Company did not employ significant security measures on its samples, apart from restricting handling to employees and designated consultants before delivering to ALS, because a significant amount of lithium would need to be inserted to have an effect on results and this was deemed unlikely. Likewise, the bulk nature of the commodities under analysis meant the risk of theft was very low. Nevertheless, the QP recommend that all future sampling programs employ an expanded sample security protocol that includes formal chain of custody documentation. The security procedures should form part of a larger QA/QC program to ensure consistent practices along the entire sequence of processes, from the field to the building of the electronic database.

Mineral Resource and Mineral Reserve Estimates

Stage 1 Lens (PCD Lens) Resources

The Company engaged Reserva to provide a block-model based mineral resource estimate for the Stage 1 Lens. The resource estimate was made from a three-dimensional block model using commercial mine planning software (Gemcom GEMS®) and was developed with the Company drillholes available as of June 28, 2011, at which time the Company had drilled and assayed 199 core holes, totalling 19,563 m. The resources are presented using a range of lithium cut-off values. Reserva is of the opinion that, at a 3,200 ppm (0.32%) lithium cut-off, the Stage 1 Lens has reasonable prospects for economic extraction by open-pit mining. Lithium carbonate is the primary product, with potassium sulfate and sodium sulfate as by-products.

Volcaniclastic moat sedimentary rocks that contain lithium-rich claystone control the Stage 1 Lens mineralization. Sectional interpretations were generated from drill logs for alluvium, claystone (moat sediments), volcanics and basalt, a silicified unit, and bedrock. Two oxidation surfaces were also interpreted, one just below alluvium and another near the claystone/silicified interface. Additionally, a series of faults have been interpreted based on the drillhole data and incorporated into the geologic

interpretation. The potentially economic mineralized estimation domain is the claystone. The alluvium and bedrock material have no lithium or potassium grades.

The resources for the Stage 1 Lens have been classified as “measured mineral resources”, “indicated mineral resources” and “inferred mineral resources” as defined by CIM Definition Standards. The resources are presented in the table below in accordance with the following criteria:

- measured mineral resources are in blocks (30 m × 30 m x 3 m) estimated using at least three drillholes and four composites within a 200 m × 150 m search radius in the horizontal plane and 20 m in the vertical direction;
- indicated mineral resources are in blocks estimated using at least two drillholes and five composites within a 100 m × 75 m search radius in the horizontal plane and 10 m in the vertical direction; and
- inferred mineral resources are blocks estimated with at least three composites within a search radius of 300 m × 225 m in the horizontal plane and 30 m in the vertical plane.

Kings Valley Resource – Stage 1 Lens (PCD Lens)

MEASURED MINERAL RESOURCES

Cutoff Li PPM	MTonnes	Li%	Ktonnes LCE	K%	Ktonnes K
2000	50.75	0.312	843	3.27	1,660
2500	38.86	0.338	699	3.42	1,329
3000	24.77	0.374	493	3.71	919
3500	13.10	0.420	293	4.00	524
4000	7.23	0.457	176	4.14	299
4500	3.48	0.494	91	4.26	148
5000	1.37	0.529	39	4.44	61

INDICATED MINERAL RESOURCES

2000	164.05	0.285	2,489	3.07	5,036
2500	107.45	0.317	1,813	3.27	3,514
3000	58.60	0.352	1,098	3.51	2,057
3500	24.18	0.395	508	3.73	902
4000	8.80	0.435	204	3.94	347
4500	2.17	0.480	55	4.06	88
5000	0.478	0.517	13	4.04	19
INFERRED MINERAL RESOURCES					
2000	124.89	0.294	1,954	3.04	3,792
2500	89.29	0.321	1,526	3.24	2,889

Cutoff Li PPM	MTonnes	Li%	Ktonnes LCE	K%	Ktonnes K
3000	57.35	0.348	1,062	3.43	1,969
3500	24.23	0.386	498	3.74	907
4000	7.46	0.416	165	3.64	272
4500	0.18	0.470	5	3.22	6
5000	0.019	0.524	1	3.51	1

Notes:

- (1) Measured tonnes minimum three drillholes within 75x100m with at least 5 composites used in the estimation; Indicated tonnes minimum 2 drillholes within 150x200m with at least 4 composites used in the estimation; Inferred tonnes one drillhole within 225x300m with at least 3 composites used in the estimation.
- (2) Rounding errors may occur.
- (3) Contained metal does not allow for mine and metallurgical recovery.
- (4) 1.79 tonnes/m³ tonnage factor used.
- (5) Conversion factor for LCE = 5.323.
- (6) Conversion factor for Li₂O = 2.153.
- (7) Reasonable prospects of economic extraction by open pit mining established using: \$3 lithium carbonate/lb, 92% metallurgical recovery, \$69/tonne processing, US\$2.35/tonne mining.
- (8) Resources that are not reserves do not have demonstrated economic viability.

Reserva reported to the Company that it is not aware of any environmental, permitting, legal, title, taxation, socio-economic, marketing, political, or other relevant factors that will materially affect the mineral resource estimates.

Stage 2 Lens (South Lens) Resources

The table below presents the in-situ lithium and potassium mineral resources for the Stage 2 Lens, at a cut-off grade of 0.20% lithium. The potassium grade is considered a by-product of the lithium resource. An average in-situ dry density of 1.96 t/m³ for the mineralized volume was used as tonnage factor.

Kings Valley Resources - Stage 2 Lens (South Lens)

Category	MTonnes	Li %	Contained kTonnes Lithium Carbonate Equivalent	K%	Contained kTonnes Potassium
Indicated	95	0.27	1,365.3	3.66	3,477
Inferred	47	0.26	650.5	3.83	1,800

Notes:

- (1) Rounding errors may exist.
- (2) Contained metal does not allow for mine or metallurgical recovery.
- (3) Tonnage factor used is 1.96 t/m³.
- (4) Economic assumptions do not include any potassium credits.
- (5) Economic assumptions for cut-off grade determination are: US\$3.50 lithium carbonate/lb; 60% metallurgical recovery; US\$50/tonne processing; and US\$2.20/tonne mining.
- (6) M: million
- (7) This mineral resource estimate is effective May 15, 2010.

In the Amended and Restated Technical Report, GSI states that exploration potential exists at the Stage 2 Lens to increase the current resource estimate. The Amended and Restated Technical Report authors also reported that there are no known environmental, permitting, legal, title, taxation, socio-economic, marketing, and political or other relevant issues that may materially affect the resource estimates.

Mineral Reserve

The Amended and Restated Technical Report includes an evaluation of two production scenarios for the Stage 1 Lens: (i) a start-up scenario delivering 689,850 tonnes of dry mill feed per year for 20 years (Case 1); and (ii) a full production scenario delivering 689,850 tonnes of dry mill feed per year for three years and increasing to 1,379,700 tonnes of dry mill feed per year for a further 17 years (Case 2). Measured and indicated resources from the resource model were converted to a proven mineral reserves and probable mineral reserves for both Case 1 and Case 2, by applying the pit design for each and the reserves reported here are inclusive of the resources previously reported.

The outlines of each mining phase (five phases for Case 1 and eight phases for Case 2) were applied to the three dimensional grade model. Material that fell inside the phases was classified as ore if it was of a measured or indicated mineral resource class and it was 0.32% Li or higher. Material that fell inside the phases that was not classified as ore was classified as waste.

The following reserve estimates are effective as of December 14, 2011:

Mineral Reserve for Case 1

Proven Ore Tonnes (000's)	12,153		
Proven Average %Li	0.405	Proven Tonnes (000's) LCE	262
Proven Average %K	3.83	Proven Tonnes (000's) K	465
Proven Average %Na	1.46	Proven Tonnes (000's) Na	177
Probable Ore Tonnes (000's)	1,796		
Probable Average %Li	0.396	Probable Tonnes (000's) LCE	38
Probable Average %K	3.77	Probable Tonnes (000's) K	68
Probable Average %Na	1.45	Probable Tonnes (000's) Na	26
Proven+Probable Ore Tonnes (000's)	13,949		
Proven+Probable Average %Li	0.404	Proven+Probable Tonnes (000's) LCE	300
Proven+Probable Average %K	3.82	Proven+Probable Tonnes (000's) K	533
Proven+Probable Average %Na	1.46	Proven+Probable Tonnes (000's) Na	203

Notes:

- (1) Summary of Dry Ore Tonnes for Proven + Probable.
- (2) Cutoff = 0.320 %Li.
- (3) 95% Mine Recovery Factor Applied.

Mineral Reserve for Case 2

Proven Ore Tonnes (000's)	14,937		
Proven Average %Li	0.400	Proven Tonnes (000's) LCE	318
Proven Average %K	3.85	Proven Tonnes (000's) K	575
Proven Average %Na	1.37	Proven Tonnes (000's) Na	204
Probable Ore Tonnes (000's)	12,198		
Probable Average %Li	0.388	Probable Tonnes (000's) LCE	252
Probable Average %K	3.93	Probable Tonnes (000's) K	479
Probable Average %Na	1.36	Probable Tonnes (000's) Na	165
Proven+Probable Ore Tonnes (000's)	27,135		
Proven+Probable Average %Li	0.395	Proven+Probable Tonnes (000's) LCE	570
Proven+Probable Average %K	3.88	Proven+Probable Tonnes (000's) K	1054
Proven+Probable Average %Na	1.36	Proven+Probable Tonnes (000's) Na	369

Note:

Ore tonnes and grade will not match exactly with detailed schedule because variable cutoffs were used during the first few years of operation. For further information see the Amended and Restated Technical Report.

Increases in: (i) product price; (ii) overall process recovery; or (iii) a decrease in operating costs, such as fuel, electricity and raw materials (reagents), could potentially increase the mineable reserve by lowering the break even cut-off. The mineable reserve could also be increased should additional geotechnical studies demonstrate that the overall pit slopes can be steep ended from the current 41 degree overall slope, as this may decrease the strip ratio.

Mine Plan*Mining Operations*

Mining operations are contemplated through development of an open pit mine. Pertinent design parameters include a 41 degree maximum slope angle for pit walls; 30 m wide ramps; 10% maximum ramp grade; 95% mining recovery with zero dilution assumed; 3:1 horizontal:vertical face angle for final waste dump faces; 2.5:1 horizontal:vertical face angle for working waste dump faces; and design on single benching, with 3 m benches. Pit shells were designed using Whittle pit software that generated smoothed pit walls and removed adverse pit wall features such as noses.

For Case 1, there are five phases of development. Based on the phase designs, an annual production schedule was generated that levels out total material movement per year and provides the required mill feed. The mill is designed for 2,100 tonnes per day of dry feed, operating at 365 days per year at 90% availability, resulting in a total of 689,850 dry tonnes of ore from the mine each year. Mine plans were then produced for each year, based on the production schedule. Once mine plans were produced and annual waste production known, a series of five waste dump phases were designed. The first waste dump phase is completely external to the open pit, while the remaining dump phases are all backfill phases.

Lithium ore and waste rock would be extracted using end-dump haul trucks, hydraulic shovel, and one Wirtgen surface miner. Waste rock would be mined with a truck/shovel combination, while ore would be mined with the Wirtgen unit and direct loaded into haul trucks.

The Case 1 LOM production summary is shown in the following table:

	Ore Mined (Dry Tonnes)	Waste Mined (Dry Tonnes)	Total Mined (Dry Tonnes)	Strip Ratio	Ore % Li	Ore % K	Ore % Na
TOTAL	13,948,530	40,122,315	54,070,845	2.88	0.404	3.82	1.46

For Case 2 there are eight phases of pit development. In the first three years, the mill throughput is held constant at 689,850 tpy. However, in years four and beyond, the mill throughput is doubled to 1,379,700 tpy. Waste movement holds steady at around 3.9 to 4.0 million tpy in years one through eight, then increases to around 5.2 million tpy in years eight through 14, further increases to around 7 million tpy for years 15 through 18 and then quickly drops off in years 19 and 20.

The Case 2 LOM Production Summary is shown in the following table:

	Ore Mined (Dry Tonnes)	Waste Mined (Dry Tonnes)	Total Mined (Dry Tonnes)	Strip Ratio	Ore % Li	Ore % K	Ore % Na
TOTAL	25,494,750	97,241,000	122,735,750	3.81	0.399	3.95	1.35

Processing

The mine plan contemplates an ore preparation process in which WLC calcines the ore mixed with anhydrite and dolomite to convert the silicates to sulfates for leaching. Recoverable metals include lithium, potassium and sodium. The calcine is leached in water recovering the sulfates to solution.

The wet recovery process includes evaporation and crystallization stages to recover potassium and sodium as sulfates, and lithium as a carbonate, a material suitable for battery manufacture. The products would be purified to meet specifications for marketing.

Case 1 process has an annual target production of 13,000 tpy Li_2CO_3 (nominal). For Case 2, the first three years of annual production match Case 1. In years four and beyond, the production is doubled to 26,000 tpy (nominal).

The overall recovery rates were estimated at: (i) lithium: 87.2%; (ii) potassium: 77.7%; and (iii) sodium: 82.7%.

Tailings

In order to contain the tailings generated by the processing facilities, a dry stack tailings storage facility ("TSF") would be constructed east of the processing facilities. Two dry stack scenarios were evaluated. The Case 1 TSF is designed to contain 20.4 million tonnes of tailings, while the Case 2 TSF is designed to contain 36.8 million tonnes of tailings at the same assumed density. The facility would be fully lined and a lined perimeter ditch to collect water from seepage and/or runoff from the TSF would be constructed. The surface water runoff would collect in a lined collection contact pond, where it would be pumped back to the processing facilities for use as reclaim water.

Environmental Considerations

Development of the project would include on-site infrastructure development including the mine, process plant, tailings impoundments, and ancillary facilities. The project requires multiple permits and approvals from regulatory agencies and other entities at the federal, state and local levels. WLC has completed baseline studies for geochemistry, vegetation; wildlife (including extensive studies for the Greater Sage-grouse); surface and groundwater quality and quantity; wetlands and waters of the U.S.; seep and springs; soils; cultural resources; noise; visual analysis; weather monitoring; and other issues specific to the project area. The collected baseline study data will support the overall permitting and approval process for the proposed project, and the completion of the National Environmental Policy Act environmental documentation program.

The U.S. Fish and Wildlife Service (USFWS) recently (September 22, 2015) determined that listing the sage-grouse was not warranted under the Endangered Species Act. Concurrently, the Bureau of Land Management (BLM) finalized their Land Use Plan Amendment (LUPA) that helps to conserve greater sage-grouse habitat. The BLM still considers the sage-grouse to be a special status species. The BLM Winnemucca District LUPA designates the Kings Valley Stage 1 Project as a Priority Habitat Management Area (PHMA) and also designates the Kings Valley Stages 2-5 Project as PHMA, but within a Sagebrush Focal Area (SFA). SFAs are more sensitive areas within the PHMAs. The BLM recently initiated steps to withdraw SFA-designated lands from location and entry under the United States mining laws, subject to valid existing rights. An immediate segregation, which lasts up to two years (with an option for a two year extension) until the Secretary decides whether to make the withdrawal permanent, prohibits the location of any new mining claims in the designated areas.

WLC has over 2,758 mining claims within and surrounding the Kings Valley Project Stages 1-5, including those within the SFA, which have valid existing rights. WLC anticipates that it will be required by BLM to implement varying stages of mitigation measures for sage-grouse habitat throughout development of its Kings Valley Project. WLC understands that the BLM can impose conditions on access, project design, and periods of use where needed to limit impacts to sage-grouse habitat. WLC understands that if WLC files notices of intent to operate or applications for plans of operation for Stages 2-5, BLM may require a validity exam for some or all of the mining claims associated with Stages 2-5. Further, due to the requirement of a validity exam in Stages 2-5 areas, there is a risk that development may be subject to time delays or restrictions or mitigation measures in order to address sage-grouse habitat protection that could compromise the economic viability of future development of the Kings Valley Property. WLC will continue to build on our partnerships with the BLM, Nevada Department of Wildlife, and State of Nevada Sagebrush Ecosystem Technical Team to identify lasting conservation efforts and productive mitigation.

Capital Costs

According to the mine plan, estimated capital expenditures for the Case 1 during life of mine are US\$262.7 million. This includes initial start-up capital of US\$237.1 million and sustaining capital of US\$25.6 million. A 10% contingency is included in the sustaining capital for all costs except surface mining equipment. The estimated capital expenditures for the Case 2 life of mine are US\$449.5 million. This includes initial start-up capital of US\$247.9 million and sustaining capital of US\$201.6 million. A 10% contingency is included in the sustaining capital for all costs except surface mining equipment. Case 2 sustaining capital includes capitalized prestripping for the pit expansion as well as capital required for the plant expansion in year three of the project. The following table details the LOM, initial and sustaining capital estimate for Case 2.

Operating Costs

In the mine plan, mine operating costs for each of the Case 1 and the Case 2 were estimated for each year of the project based upon the scheduled production requirements. Mine operating costs were developed from first principles and include labour, fuel and lubricants, materials, equipment and maintenance.

Process operating costs have been estimated for each year of the project. Process operating costs are based upon material quotations and material balances which include necessary reagents, coal, grinding steel, electrical power, water, supplies, and equipment, labour and tailings facilities.

General and administrative operating costs have been estimated for each year of the project. General and administrative costs include labour costs for salaried employees for site wide management, engineering, human resources and site security.

Case 1 operating costs average US\$3,291/t lithium carbonate, US\$99/t potassium sulfate and US\$43/t sodium sulfate products over the LOM. Case 1 lithium carbonate cash costs net of by-products averages US\$1,397 per tonne of lithium carbonate. The “Operating Cost Summary” table below details the operating costs for Case 1 and the Case 2. Case 2 mine operating costs average US\$3,011/t lithium carbonate, US\$87/t potassium sulphate and US\$36/t sodium sulfate products over the LOM. Case 2 lithium carbonate cash costs net of by-products averages US\$968 per tonne of lithium carbonate. The “Operating Cost Summary” table below details the operating costs for Case 1 and Case 2.

Operating Cost Summary

Description	US\$ LOM Cost (000s)	US\$/tonne Ore
Case 1		
Mining	\$114,168	\$8.18
Processing	\$851,301	\$61.03
General & Administrative	\$42,321	\$3.03
Total	\$1,007,790	\$72.24
Case 2		
Mining	\$197,356	\$7.74
Processing	\$1,418,319	\$55.63
General & Administrative	\$41,798	\$1.64
Total	\$1,657,473	\$65.01

Economic Evaluation

The cash flow analysis includes all mining, processing, and capital costs. Cash flow analyses were performed on both a pre-tax and post-tax basis. Applicable depletion and depreciation were calculated for determination of the Nevada Minerals Tax and post-tax cash flow calculations. A federal income tax rate of 35% was used and working capital was set to 20% of yearly operating costs.

The financial results are presented in 100% owner's equity and constant 2011 U.S. dollars for both cases. An 8% discount rate has been applied to the financial analysis. Sensitivity analyses were completed for both cases using varying lithium carbonate prices, capital cost estimates, operating cost estimates and process recoveries.

For purposes of financial analysis of the mine plan, the QPs adopted a lithium carbonate price of US\$6,000 per tonne, a potassium sulphate price of US\$600 per tonne and a sodium sulphate price of US\$75 per tonne. The final product grade was estimated to amount to 99% for each product, while recovery rates were estimated to be consistent throughout life of the project.

The Case 1 cash flow analysis results in a pre-tax project NPV (with an 8% discount rate) of US\$261.7 million and an IRR of 21.2% at an 8% discount rate. The post-tax cash flow analysis results in a project NPV of US\$175.0 million and an IRR of 17.6 % at an 8% discount rate. The Case 2 cash flow analysis results in a pre-tax project NPV (with an 8% discount rate) of US\$551.8 million and an IRR of 24.4 % at an 8% discount rate. The post-tax cash flow analysis results in a project NPV of US\$372.5 million and an IRR of 20.3 % at an 8% discount rate.

Sensitivity Analysis

Sensitivity analyses were performed for the pre-tax project NPV at an 8% discount rate. Sensitivities were performed on lithium carbonate price, total operating costs, total capital expenditures and total process recovery. Values were adjusted in 5% increments ranging from negative 15% to positive 15%.

Case 1 and Case 2 sensitivities show that the project is most sensitive to process recovery, followed by lithium carbonate pricing and operating costs and least sensitive to capital expenditures.

These sensitivities for Case 1 and Case 2 are graphed below:

Figure 1.2: Case 1 NPV Sensitivity

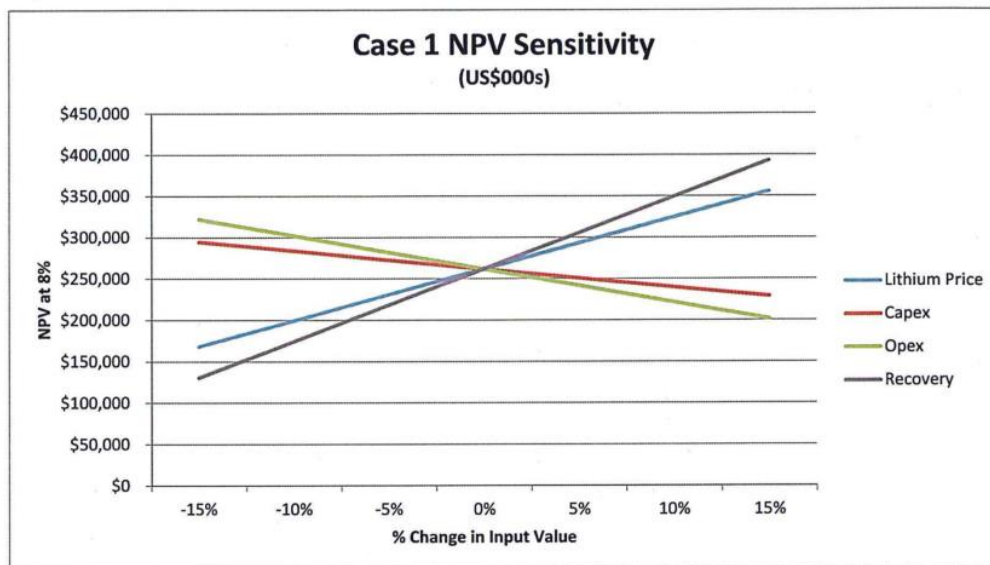
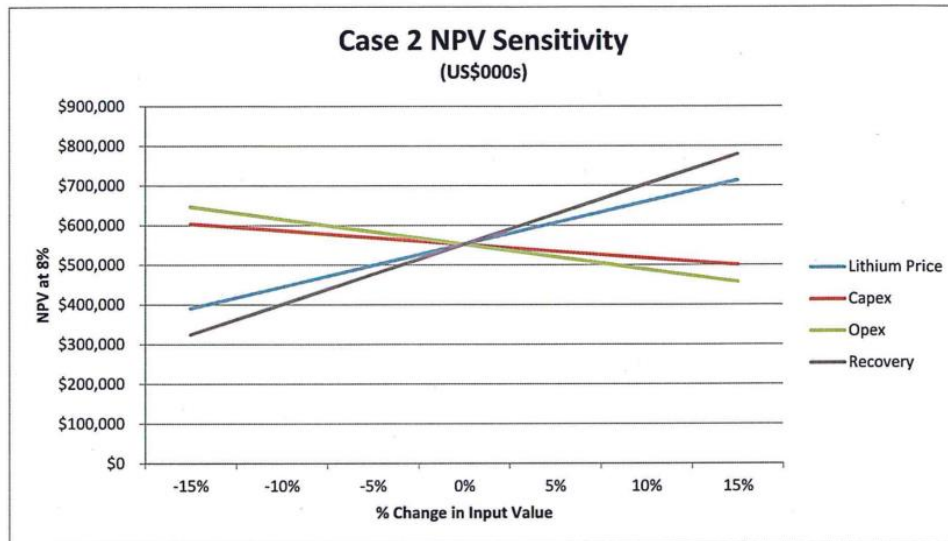


Figure 1.3: Case 2 NPV Sensitivity

Exploration and Development

In April 2012, the Company announced results from electrochemical performance testing by Argonne of lithium carbonate extracted from the Kings Valley Project. Several electrochemical cells were fabricated using WLC's lithium carbonate that was upgraded and purified with carbon dioxide during one of its pilot testing programs. The batteries incorporated three common cathode chemistry types consisting of: lithium manganese spinel (LiMn_2O_4), olivine (LiFePO_4), and lithium nickel manganese composite oxide ($\text{LiMn}_2\text{O}_3\cdot\text{LiNi}_{0.5}\text{Mn}_{0.5}\text{O}_2$). Each cell was duplicated to incorporate lithium carbonate obtained from an industry standard Sigma-Aldrich product and compared under the same conditions with WLC product. The initial test results demonstrate superior performance by WLC's product for olivine chemistry, and similar or slightly better performance for the other two cathode chemistries when compared against the Sigma-Aldrich standard. As a general conclusion, the testing completed so far indicates that WLC can produce high purity and high quality lithium product for use in multiple types of lithium ion battery chemistries. In February 2014, the Company announced it had initiated its planned demonstration plant in Germany to demonstrate the viability of low cost lithium extraction from its Kings Valley Project. In April 2014, procurement of equipment for the lithium demonstration plant commenced and in September 2014, the demonstration plant was commissioned. Commencing in mid-October 2014 operations were underway to confirm equipment performance at design conditions. In September 2014, the calcination section of the plant successfully produced enough feed for the lithium extraction plant to operate until mid-December. In this first demonstration campaign, refined lithium carbonate was produced with a purity of 99.8%. In the fall, 2015, a second campaign consisting of 46 tonnes of oxidized clay ore was granulated with reagents and calcined at the IBU-tec kiln facility and subsequently shipped to the Companies demonstration facility at K-Utec for leaching, crystallization and precipitation. The second campaign leaching commenced on November 9, and successfully ran continuously. Approximately 38 tonnes of calcined material has been leached to produce a pregnant leach solution (PLS). The PLS has been purified and lithium carbonate and glaserite has been produced. Initial leaching results show recoveries that are the same or better than the design criteria. The second campaign is expected to be finished in late December 2015.

The Hectatone™ Business

Overview

The Company, through its wholly owned subsidiary Hectatone Inc., is in the business of manufacturing and marketing organophilic clay products. Included in the Company's product offering are rheological drilling additives for use in oil and gas drilling designed to improve drilling efficiency and offer superior performance in high pressure and high temperature environments. Hectatone Inc. also manufactures a product for the animal feed industry and has successfully developed products for the environmental and industrial coatings markets. Hectatone Inc. uses hectorite from the Kings Valley Project, bentonite, and sepiolite clay minerals to manufacture its product line. Products are manufactured at the Fernley Facility, which was built at the end of 2014 and is currently under commissioning. The Company completed its first shipment in early January 2015.

Product Development

Prior to mid-2014, the Company focused its efforts on developing hectorite and bentonite based products. These products represented alternatives to traditional organophilic clay products. As it pursued marketing, the Company determined that the introduction of its novel Hectatone™ organophilic hectorite products would require a longer certification process than established drilling fluid products, particularly by the major oilfield service companies. The Company has broadened its product offerings to include several different grades of organophilic bentonite and organophilic sepiolite products. Existing competitive organophilic hectorite products that have been in use for over 40 years are high purity products that exhibit different rheological properties than the Hectatone™ organophilic hectorite products. Competitive organophilic hectorite products are manufactured using a water wash purification process that results in high purity products. The purification process is required because the hectorite raw material purity is less than 50%. The Kings Valley Project's hectorite supplied to Hectatone Inc. is approximately 90% purity.

In early 2015, the Company had developed and manufactured initial batches of six (6) products for use as rheological additives in drilling fluids. The products are marketed under the Hecatone™ brand. The products are Hectatone™ B-91 and Hectatone™ B-92 organophilic, Hectatone™ RM-99 and RM-100 organophilic sepiolite, Hectagel™ hydrophilic hectorite, and Hectatone™ Universal™ organophilic hectorite. The B-91 and B-92 products have been certified by seven (7) oilfield service companies including three of the major companies.

The Universal™ organophilic hectorite product is the result of innovative product development to engineer and chemically modify the Company's hectorite. The Company's testing and analysis indicates that Universal™ product exhibits superior performance attributes to that of traditional drilling additives. The Company markets this product as Rheoflat™ and Gelfast™. Rheoflat™ performance technology exhibits a flatter viscosity profile over a wide range of temperature with lower high shear viscosity while increasing low shear viscosity and without compromising gel strength. The Rheoflat™ performance technology is evident in diesel, mineral, and synthetic oils. Gelfast™ performance technology enables faster development of rheological properties in challenging environments such as low temperature and low shear conditions. The Rheoflat™ and Gelfast™ performance technologies are designed to improve fluid management throughout the drilling operation.

With the dramatic decline in oilfield activity in North America beginning in the Fall of 2014, the demand for drilling fluid additives, such as organophilic clay products, also declined. With high field inventories of drilling fluid additive products, the opportunity for Hectatone Inc. to benefit from sales diminished. In response to the decline in oilfield activity, the Company re-directed its focus on non-field market opportunities. While maintaining sales and marketing activity with the oilfield service companies,

Hectatone Inc. initiated a product development program that focused on four (4) markets.

The Company has developed Hectabind™, a mycotoxin adsorbent and binding agent for the animal feed industry. Collaborating with Bentonite Performance Minerals (BPM), a Halliburton Company, and an existing customer of BPM, Hectatone Inc. completed its first sale of Hectabind™ to date.

The Company also began development of an organophilic bentonite granule product, Hectasorb™. WLC believes there is a market opportunity for a product that would adsorb hydrocarbons and surfactants during the recycling process for specific industrial aqueous solutions, e.g. industrial wastewater. There is a market for a similar product for use in geosynthetic organophilic clay liners (GOCL). Since the early 1980's, Geosynthetic clay liners (GCL) have been in widespread use for water reservoirs and as secondary liners in municipal and industrial landfills. The GOCL product would minimize hydraulic conductivity like GCL products, but would also remove certain types of hydrocarbons.

In response to these opportunities, the Company has developed a functional organophilic clay granule product called Hectasorb™ PS-60. The product can be manufactured at the Fernley Facility, but will require the addition of specialized sizing equipment. Successful pilot production trials have been completed. Hectasorb™ PS-60 samples from these trials were submitted to prospective customers. The product meets performance expectations for the aforementioned applications. Additional testing is in progress and scheduled for completion by the end of 2015. Hectatone Inc. has developed preliminary engineering design for capital expenditure estimates.

Finally, Hectatone Inc. developed a rheology additive, Hectaflow™, which is used as a flow control agent in solvent-borne unsaturated polyester, epoxy and vinyl ester resins. The product has been successfully manufactured in trials conducted by the equipment manufacturer and samples submitted to prospective customers. Concurrently, the Company developed another rheological additive, Hectaspend™, which is used as a suspending agent in various solvent borne industrial coating products. In collaboration with companies that specialize in additives for industrial coatings, the company plans to develop additional flow control and suspending agents.

Fernley Facility

The Fernley Facility has been under commissioning since the beginning of 2015. The Company purchased the property, located approximately 190 miles from Kings Valley Project, in 2013. The complex consists of three existing structures totalling 59,300 square feet, including a warehouse, a covered metal storage area that houses the organoclay process plant, and an office/laboratory building. It has a production capacity of approximately 24,000 tonnes per year. The property encompasses 5.47 acres in area in the community of Fernley, Nevada. The acquisition price was US\$1,575,000, of which US\$236,000 was paid at the close of the transaction, and the remaining balance of US\$1,339,000 was financed by the seller with a ten-year promissory note payable in monthly instalments. The promissory note bears interest equal to 5.251% for the first five years, and then at a reset rate of between 5.5% to 7.5% for the final five years, depending on the prime rate at the time of reset. The note is secured by the purchased property.

Permitting

In late 2013, the Company received all major permits for the Fernley Facility including the: (i) Nevada Air Quality Operating Permit, which includes the site's organoclay processing components, mill burner and thermal oxidizer burner; (ii) design review permit; and (iii) building permit. The North Lyon County Fire Protection District has approved all of the building plans for conformance with fire and safety requirements.

Mining and Facility Development

The Company has identified certain areas within its Stage I Lens for the extraction of clay to support commercial clay development operations. The work conducted to prepare the lithium resource estimate has resulted in that area having the most comprehensively understood geology and characteristics. The Company plans to extract the clay as a shallow open pit using contract miners to dig through the alluvial soil, which work to date indicates has a depth of approximately 3 m, and then extract certain clay lens, which range in thickness from 1 to 3 m throughout the deposit. The Company has designed its commercial clay extraction plan in a manner that could support concurrent extraction for lithium processing, and believes that it can conduct commercial clay extraction for several years without significantly affecting future operations involving the extraction of the clay for lithium processing under the current mine plan and reserve estimate for lithium and potassium.

Sales and Marketing

By the beginning of 2015, the Company had assembled a management team with a significant breadth and depth of experience and knowledge in manufacturing, sales & marketing, product development, and technical support as it relates to drilling fluid composition and functionality with specific experience and knowledge of rheological additives like organophilic clays. By the end of the first quarter of 2015, the Company had assembled an experienced team of plant operating and maintenance personnel to effectively manage the process for manufacturing organophilic clay products. By mid-2015 the Company had successfully completed manufacturing trials for each of its then current product offerings. The Company hired an experienced President in August 2014 and a sales and marketing professional as a Vice President in August 2013. The Company is working with several prospective customers in the oilfield and with prospective customers in the industrial coatings, environmental, and animal feed markets. Prospective customers are located in North America, Europe, South America, and China have been identified and engaged in the U.S. and Canada. Certain potential customers have requested sample products to test for performance and conformance with their fluid systems. The Company has submitted representative production samples to its target customers. In September, 2014, the Company signed a distribution agreement with Raw Materials Corporation of Houston, Texas for specified prospective customers and geographical territories. The Company completed its first sale in January, 2015. The Company has achieved certified vendor status with several oilfield service companies

Human Resources

As at September 30, 2015, the Company had 56 employees and two part time and/consultants working at various locations.

DESCRIPTION OF CAPITAL STRUCTURE

Common Shares

The Company is authorized to issue an unlimited number of Common Shares without par value of which, as of the date of this AIF, 270,802,157 Common Shares are issued and outstanding. All rights and restrictions in respect of the Common Shares of the Company are set out in the Company's notice of articles and the BCBCA and its regulations. The Common Shares have no pre-emptive, redemption, purchase or conversion rights. Neither the BCBCA nor the constating documents of the Company impose restrictions on the transfer of Common Shares on the register of the Company, provided that the Company receives the certificate representing the Common Shares to be transferred together with a duly endorsed instrument of transfer and payment of any fees and taxes which may be prescribed by the Board of Directors from time to time. There are no sinking fund provisions in relation to the Common Shares and they are not liable to further calls or assessment by the Company. The BCBCA and the Company's articles provides that the

rights and restrictions attached to any class of shares may not be modified, amended or varied unless consented to by special resolution passed by a majority of not less than two-thirds of the votes cast in person or by proxy by holders of shares of that class.

The holders of the Common Shares are entitled to: (i) notice of and to attend any meetings of shareholders and shall have one vote per share at any meeting of shareholders of the Company; (ii) dividends, if as and when declared by the Board of the Directors; and (iii) upon liquidation, dissolution or winding up of the Company, on a pro rata basis, the net assets of the Company after payment of debts and other liabilities.

Warrants

The following table provides details on Company warrants currently outstanding:

Number of warrants	Exercise Price	Expiry Date
7,752,250	\$0.75	May 16, 2016
371,358	\$0.58	May 16, 2016
78,900	\$0.48	August 28, 2016
5,706,875	\$0.90	June 9, 2017
741,894	\$0.70	June 9, 2017
3,125,000	\$0.8464	May 19, 2018
Total	17,776,277	

Stock Options

The following table provides details on Company stock options currently outstanding:

Number of options	Exercise Price	Expiry Date
800,000	\$1.33	January 26, 2016
320,000	\$1.12	March 17, 2016
200,000	\$1.22	March 31, 2016
935,000	\$0.54	September 16, 2016
880,000	\$0.27	January 3, 2017
1,990,000	\$0.16	August 30, 2017
3,822,600	\$0.27	October 21, 2018
210,000	\$0.80	April 1, 2019
325,000	\$0.49	July 16, 2019
2,405,000	\$0.69	August 15, 2019
1,104,600	\$0.375	April 18, 2019
3,708,300	\$0.286	July 16, 2019
532,575	\$0.3367	February 12, 2020
3,505,000	\$0.30	October 5, 2020
Total	20,738,075	

Subscription Receipts

The following table provides details on Company subscription receipts currently outstanding:

	Number of Subscription Receipts	Exercise Price	Date of Issuance
	6,449,948	US\$0.54264	See note ⁽¹⁾
Total	6,449,948		

Note:

- (1) The subscription receipts will automatically convert into Common Shares following satisfaction of certain conditions, including, but not limited to completion of trial runs for the production of battery grade lithium carbonate from hectorite clay at the Company's demonstration plant in Germany and the Company having delivered to the Subscriber, a complete business and marketing plan.

ESCROW SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

Designation of Class	Number of securities subject to a contractual restriction on transfer⁽¹⁾	Percentage of Class
Common Shares	12,794,984	4.8%

Note:

- (1) These Common Shares are subject to contractual lock up until March 8, 2016. They are beneficially owned, directly or indirectly, by members of LAC management that remained employed with the Company following completion of the Arrangement. It also includes Common Shares over which those individuals exercise control or direction.

DIVIDENDS AND DISTRIBUTIONS

The Company has no fixed dividend policy and the Company has not declared any dividends on its Common Shares since its incorporation. The Company anticipates that all available funds will be used to undertake exploration and development programs on its mineral properties as well as for the acquisition of additional mineral properties. The payment of dividends in the future will depend, among other things, upon the Company's earnings, capital requirements and operating and financial condition. Generally, dividends can only be paid if a corporation has retained earnings. There can be no assurance that the Company will generate sufficient earnings to allow it to pay dividends. See also "*General Development of the Business – Risk Factors*".

MARKET FOR SECURITIES

Market

The Common Shares of the Company are traded in Canada on the Exchange under the symbol "**WLC**". The closing price of the Company's Common Shares on the Exchange on December 18, 2015 was \$0.355.

Trading Price and Volume

The following sets forth the high and low market prices and the volume of the Common Shares traded on the Exchange during the periods indicated (stated in Canadian dollars):

Month	High \$	Low \$	Volume
October, 2014	0.86	0.72	4,286,270
November, 2014	0.82	0.67	2,599,386
December, 2014	0.72	0.50	4,448,350
January, 2015	0.59	0.50	2,564,717
February, 2015	0.81	0.51	5,587,308
March, 2015	0.73	0.58	1,771,813
April, 2015	0.75	0.61	2,135,305
May, 2015	0.96	0.70	9,053,642
June, 2015	0.80	0.55	5,045,223
July, 2015	0.64	0.51	5,936,446
August, 2015	0.59	0.33	5,940,811
September, 2015	0.44	0.27	9,394,923

The Bought Deal Warrants are traded on the Exchange under the symbol WLC.WT. The Bought Deal Warrants began trading on July 31, 2015. The following sets forth the high and low market prices and the volume of the Bought Deal Warrants traded on the TSX during the periods indicated (stated in Canadian dollars).

Month	High \$	Low \$	Volume
July, 2015	N/A	N/A	0
August, 2015	0.06	0.05	31,375
September, 2015	N/A	N/A	0

DIRECTORS AND OFFICERS

Name and Occupation

The name, province or state of residence, position with and principal occupation within the five preceding years for each of the directors and officers of the Company are set out in the following table:

Name, Province or State and Country of Residence and Position with the Company(in alphabetical order) ⁽¹⁾	Principal Occupation or Employment for the Last Five Years ⁽¹⁾	Director Since
DIRECTORS:		
Jay Chmelauskas British Columbia, Canada <i>President and Director</i>	President of the Company since October 2008 and CEO of the Company from September 2012 to November 2015.	13 Sep 2010
William R. Haldane New York, USA <i>Director</i>	President of Haldane Diogenes, Inc. (executive recruiting firm) since 1995.	29 Jan 2008
W. Thomas Hodgson Ontario, Canada <i>CEO and Director</i>	CEO of the Company since November 2015; Executive Chairman of LAC from 2010 to September 2015; consultant and advisor to the Chairman of Magna International Inc. and Magna Entertainment Corp. from May 2007 to May 2011.	4 Sep 2015
B. Matthew Hornor British Columbia, Canada <i>Director</i>	CEO and Director of Kaizen Discovery Inc. since December 2013 and President since January 2014; Executive Vice President of Ivanhoe Mines Ltd. since May 2010.	1 Apr 2014
George Ireland Massachusetts, USA <i>Director</i>	Founder, Chief Investment Officer and CEO of Geologic Resources Partners LLP.	13 Nov 2015
John Kanellitsas Idaho, USA <i>Vice-Chairman and Director</i>	Vice-Chairman of the Company since November 2015; Interim CEO of LAC from June 2013 to June 2014, CEO of LAC from June 2014 to September 2015; Chief Operating Officer and Chief Compliance Officer of Geologic Resource Partners LLC from June 2004 to January 2015.	4 Sep 2015
Terry Krepiakovich British Columbia, Canada <i>Director</i>	Independent Financial Advisor since July 2011; President of Meryllion Resources Corporation, July 2013 to November 2013 and CEO, October 2013 to November, 2014; Interim CEO of Concordia Resource Corp. (now Kaizen Discovery Inc.) from March 2013 to December 2013; Chief Financial Officer of SouthGobi Resources Ltd. from July 2006 to July 2011.	31 Mar 2011
John Macken Florida, USA <i>Non-Executive Chairman and Director</i>	Business consultant since April 2012; President of Ivanhoe Mines Ltd. (now Turquoise Hill Resources Ltd.), December 2003 to April 2012.	29 Jan 2008 Chairman since 13 Jun 2012 and Co-Chairman since 16 Jul 2014 to 15 Oct 2015, Chairman since 15 Oct 2015
Franco Mignacco Jujuy, Argentina <i>Director</i>	President of Minera since June 17, 2013; President of Los Boros S.A. ⁽²⁾ from January 2006 to June 2014.	4 Sep 2015

Name, Province or State and Country of Residence and Position with the Company(in alphabetical order) ⁽¹⁾	Principal Occupation or Employment for the Last Five Years ⁽¹⁾	Director Since
OFFICERS:		
Silvio Bertolli Colorado, USA <i>Sr. Vice President, Project Development</i>	Senior Vice President, Project Development for the Company since December 2009.	N/A
Dennis Bryan Nevada, USA <i>Sr. Vice President, Development</i>	Senior Vice President, Development of the Company since October 2008.	N/A
Eduard Epshtein British Columbia, Canada <i>Chief Financial Officer</i>	Chief Financial Officer of the Company since May 2008; Chief Financial Officer, Concordia Resource Corp. (now Kaizen Discovery Inc.), October 2006 to December 2013.	N/A
Tracy Hansen British Columbia, Canada <i>Vice President and Corporate Secretary</i>	Corporate Secretary of the Company since January 2010 and Vice President of the Company since March 2011; Corporate Secretary of Concordia Resource Corp. (now Kaizen Discovery Inc.), March 2011 to December 2013 and Vice President, February 2012 to December 2013.	N/A

Note

- (1) The information as to country of residence and principal occupation has been furnished by the respective directors and officers individually.
- (2) Mr. Mignacco is currently a director of Los Boros.

Each director's term of office expires at the next annual general meeting of the Company.

Shareholdings of Directors and Officers

As of the date of this AIF, the directors and officers of the Company, as a group, beneficially owned, directly or indirectly, or exercised control or direction over 48,120,788 Common Shares representing approximately 17.77% of the issued and outstanding Common Shares, and held options to acquire 16,535,475 Common Shares.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

No director or executive officer of the Company is, as at the date of this AIF, or was, within ten years before the date of this AIF, a director, chief executive officer or chief financial officer of any company (including the Company), that (a) was subject to a cease trade or similar order or an order that denied the relevant company access to any exemption under the securities legislation, for a period of more than 30 consecutive days, or (b) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Except as disclosed below, no director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company (a) is, as at

the date of this AIF, or has been within the 10 years before the date of this AIF, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, or (b) has, within the 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

W. Thomas Hodgson was a director of MI Developments Inc. and Magna Entertainment Corp. and was named in a lawsuit commenced in the U.S. Bankruptcy Court for the District of Delaware by the Official Committee of Unsecured Creditors of Magna Entertainment Corp. on August 20, 2009. Such lawsuit was settled and all claims under the lawsuit were deemed discharged under the Joint Plan of Affiliated Debtors, the Official Committee of Unsecured Creditors, MI Developments Inc. and MI Developments US Financing Inc. pursuant to Chapter 11 of the United States Bankruptcy Code as confirmed by a court order dated April 29, 2010.

No director, or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, has been subject to (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Committees of the Board

The committees of the Board of Directors consist of an Audit Committee, Compensation and Benefits Committee and a Nominating and Corporate Governance Committee. The members of the Compensation and Benefits Committee are Terry Krepiakovich (chair), William Haldane and John Macken. The members of the Nominating and Corporate Governance Committee are William Haldane (chair), B. Matthew Hornor and John Macken. The members of the Audit Committee are Terry Krepiakovich (chair), B. Matthew Hornor and John Macken. Information concerning the Audit Committee is provided under “*Audit Committee Information*” below.

Conflicts of Interest

To the best of the Company’s knowledge, except as otherwise noted in this AIF, there are no existing or potential conflicts of interest among the Company, its directors, officers, or other members of management of the Company except that certain of the directors, officers and other members of management serve as directors, officers and members of management of other public companies and therefore it is possible that a conflict may arise between their duties as a director, officer or member of management of such other companies and their duties as a director, officer or member of management of the Company.

The directors and officers of the Company are aware of the existence of laws governing accountability of directors and officers for corporate opportunity and requiring disclosure by directors of conflicts of interest and the Company will rely upon such laws in respect of any directors’ or officers’ conflicts of interest or in respect of any breaches of duty to any of its directors and officers. All such conflicts must be disclosed by such directors or officers in accordance with the BCBCA.

The Company has adopted a Code of Business Conduct and Ethics that applies to all directors, officers, employees and consultants of the Company and its subsidiaries. A copy of the Company's Code of Business Conduct and Ethics may be found on SEDAR at www.sedar.com.

AUDIT COMMITTEE INFORMATION

Audit Committee Charter

The charter of the Audit Committee is attached as Schedule "A" to this AIF.

Composition of the Audit Committee and Independence

The Company's Audit Committee consists of Terry Krepiakovich, B. Matthew Hornor and John Macken. NI 52-110 provides that a member of an audit committee is "independent" if the member has no direct or indirect material relationship with the Company, which could, in the view of the Board of Directors, reasonably interfere with the exercise of the member's independent judgment. The Board of Directors has determined that all members of the Audit Committee are "independent" directors.

Relevant Education and Experience

NI 52-110 provides that an individual is "financially literate" if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements. The Company has determined that all of the members of the Audit Committee are "financially literate".

Based on their business and educational experiences, each Audit Committee member has a reasonable understanding of the accounting principles used by the Company; an ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves; experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of issues that can reasonably be expected to be raised by the Company's financial statements, or experience actively supervising one or more individuals engaged in such activities; and an understanding of internal controls and procedures for financial reporting. Each of the members of the Audit Committee has had several years of experience as a senior executive and a member of the Board of Directors of significant business enterprises in which he has assumed substantial financial and operational responsibility. In the course of these duties, the members have gained a reasonable understanding of the accounting principles used by the Company; an ability to assess the general application of such principles in connection of the accounting for estimates, accruals and reserves; experience analyzing and evaluating financial statements that present a breadth and level of complexity of issues that can reasonably be expected to be raised by the Company's financial statements, or experience actively supervising one or more individuals engaged in such activities; and an understanding of internal controls and procedures for financial reporting.

Audit Committee Oversight

Since the commencement of the Company's most recently completed financial year, the Audit Committee has not made any recommendations to nominate or compensate an external auditor which were not adopted by the Board of Directors.

Reliance on Certain Exemptions

Since the commencement of the Company's most recently completed financial year, the Company has not relied on the exemptions in section 2.4 (*De Minimis Non-audit Services*), section 3.2 (*Initial Public*

Offerings), section 3.4 (*Events Outside Control of Member*) or section 3.5 (*Death, Disability or Resignation of Audit Committee Member*) of NI 52-110, or an exemption from NI 52-110, in whole or in part, granted under Part 8 (*Exemptions*).

Since the commencement of the Company's most recently completed financial year, the Company has not relied on the exemption in subsection 3.3(2) (*Controlled Companies*), section 3.6 (*Temporary Exemption for Limited and Exceptional Circumstances*) or the exemption in section 3.8 (*Acquisition of Financial Literacy*) of MI 52-110.

Pre-Approval Policies and Procedures

The Audit Committee has not adopted any specific policies and procedures for the engagement of non-audit services.

Audit Fees

The following table sets forth the fees paid by the Company and its subsidiaries to PwC, the current auditors, and Crowe MacKay LLP, the former auditors and for services rendered during the financial years ended September 30, 2015 and September 30, 2014:

	2015 PwC	2015 Crowe MacKay	2014⁽⁵⁾
Audit fees ⁽¹⁾⁽²⁾	\$50,000	-	\$47,000
Audit-related fees ⁽³⁾	-	\$22,300	\$18,585
Tax fees ⁽⁴⁾	\$ 8,000	-	-
All other fees	\$15,000	\$12,000	\$ 8,500
Total	\$73,000	\$44,300	\$74,085

Notes:

- (1) To date PwC has not billed the Company any fees in respect of the audit of the financial statements for the fiscal year ended September 30, 2015. The Company estimates 2015 year-end audit fees will amount to approximately \$50,000.
- (2) The aggregate audit fees billed by the Company's auditor (or accrued).
- (3) The aggregate fees billed (or accrued) for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements which are not included under the heading "Audit Fees", including for quarterly reviews.
- (4) The aggregate fees billed (or accrued) for professional services provided by the auditor rendered for tax compliance, tax advice and tax planning.
- (5) Fees billed by Crowe MacKay LLP.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

The Company is not a party to, nor are any of the Company's properties subject to, any pending legal proceedings or regulatory actions the outcome of which would have a material adverse effect on the Company. The management of the Company is not aware of any material legal proceedings in which the Company may be a party which are contemplated by governmental authorities or otherwise.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than the Line of Credit, management of the Company is not aware of any material interest, direct or indirect, of any insider of the Company, or any associate or affiliate of any such person, in any transaction

during the Company's three last completed financial years, or during the current financial year that has materially affected or is reasonably expected to materially affect the Company.

TRANSFER AGENTS AND REGISTRARS

The Company's registrar and transfer agent is Computershare Investor Services Inc. located at its principal offices in Vancouver, British Columbia.

MATERIAL CONTRACTS

Other than contracts entered into in the ordinary course of business, and except as described below, the Company has not entered into any material contracts within the most recently completed financial year or previous to the most recently completed financial year, that are still in effect. Material contracts entered into by LAC prior to September 2015 are now material contracts of the Company by virtue of acquiring the Lithium Americas Shares.

Line of Credit Agreement

On December 15, 2015 the Company entered into a Line of Credit Agreement (the "**Line of Credit Agreement**") with Geologic whereby Geologic agreed to advance a US\$5,000,000 line of credit (the "**Line of Credit**") to the Company with an interest rate of 1.25% per month, payable monthly in arrears. Geologic holds more than 10% of the Company's issued and outstanding common shares and its CEO, George Ireland, is also a member of the Company's Board of Directors. Upon execution, the Company paid a \$75,000 execution fee. The Company may draw down on the line of credit from time to time in increments of US\$100,000, with each draw down subject to a fee of 1.25% of the amount drawn down. Any amounts disbursed, once repaid, will no longer be available for draw down. The Line of Credit also has a standby fee equal to 1.5% of any undrawn amount, payable annually. The Company may cancel the Line of Credit at any time provided there are no outstanding obligations. The balance owing matures and falls due on December 14, 2018, and maturity accelerates if the Company closes a financing of US\$10,000,000 or greater.

Concurrent with execution of the Line of Credit Agreement, Geologic assigned a beneficial interest in an aggregate \$750,000 principal amount of the Line of Credit to each of John Kanellitsas, a member of the Company's Board of Directors and Greenbrook Capital Partners Inc., a company wholly owned by Thomas Hodgson, the CEO and a member of the Company's Board of Directors.

Arrangement Agreement

In June 2015, the Company and LAC entered into an Arrangement Agreement to combine their respective companies. The Arrangement was completed on September 4, 2015. Pursuant to the Arrangement Agreement, LAC became a wholly-owned subsidiary of the Company. WLC acquired the Lithium Americas Shares in exchange for 0.789 common shares of WLC for each Lithium Americas Share held. In connection with the closing of the Arrangement, WLC issued an aggregate of 130,847,374 Common Shares to the former shareholders of LAC. On closing, WLC had 265,648,063 Common Shares issued and outstanding, with former LAC shareholders holding approximately 49.3% on an undiluted basis. An aggregate of 6,775,000 in-the-money awards held by Messrs. Thomas Hodgson, John Kanellitsas and Franco Mignacco were exchanged for stock options of WLC (the "**Replacement Options**"), each of which is exercisable to acquire Common Shares based on the Exchange Ratio (rounded down to the next whole number). In addition, 100,000 outstanding share purchase warrants of Lithium Americas were exchanged into the LAC Warrants based on the Exchange Ratio. An additional 5,424,375 Common Shares have been reserved for issuance upon exercise of the Replacement Options and the Warrants.

In connection with the Arrangement, three Lithium Americas nominees joined the Board of Directors being: Thomas Hodgson, Executive Chairman of Lithium Americas prior to the Arrangement; John Kanellitsas, Director, President and Chief Executive Officer of LAC prior to the Arrangement; and Franco Mignacco, Director of LAC prior to the Arrangement and President of Minera.

The Investment/Subscription Agreement

Pursuant to an investment and subscription agreement dated June 24, 2015 between the Company and BCP, the Company agreed to issue an aggregate of 9,214,211 subscription receipts at a price of US\$0.54264 (subject to adjustment) per subscription receipts for aggregate gross proceeds of US\$5 million, which funds were placed in escrow pending conversion of the subscription receipts to Common Shares. The investment consisted of two tranches (i) 2,764,263 subscription receipts which automatically converted into 3,023,412 Common Shares on September 1, 2015 following satisfaction of all Exchange listing requirements, including shareholder approval; and (ii) 6,449,948 subscription receipts that will automatically convert into Common Shares following satisfaction of certain conditions, including, but not limited to completion of trial runs for the production of battery grade lithium carbonate from hectorite clay at its demonstration plant in Germany and the Company having delivered to the Subscriber, a complete business and marketing plan.

The Company has granted BCP a co-investment right which is exercisable until January 31, 2018, whereby it will be permitted, in the event of a Triggering Transaction, to subscribe for such number of securities that will result in the Subscriber holding that number of Common Shares that is equal to 19.9% of the issued and outstanding Common Shares (with such subscription being at the same price per security as the securities issuable pursuant to the Triggering Transaction, or at such lower price as mutually agreed).

If a Triggering Transaction is not completed prior to January 31, 2018, the Subscriber has the option to subscribe for that number of equity securities that will result in BCP. holding that number of Common Shares that is equal to 19.9% of the issued and outstanding Common Shares. This option will expire on the earlier of March 31, 2019 and the date that a third party acquires or, pursuant to a bona fide irrevocable arm's length offer, offers to acquire all of the Common Shares or substantially all of WLC's assets.

Convertible Securities Funding Agreement

On April 30, 2015 the Company entered into a convertible security funding agreement (the “**Convertible Security Funding Agreement**”) with Lind. Lind advanced the Company an aggregate of US\$2.8 million, and in consideration, the Company issued to Lind: (a) a convertible security with a face value of US\$3,500,000 (the “**First Convertible Security**”) (representing a US\$2,800,000 advance, a fee of US\$140,000 paid by the Company to Lind and a prepayment of interest in the amount of US\$560,000); and (b) 3,125,000 share purchase warrants exercisable into Common Shares for a period of three years at an exercise price of \$0.8464 per Common Share.

Lind may also request an additional advance of US\$600,000 during the two year term of the First Convertible Security. The Convertible Security Funding Agreement also provides for the issuance of a second convertible security on mutual agreement of the Company and Lind, pursuant to which Lind would advance the Company another US\$2.8 million (which may also be further increased by US\$600,000) (the “**Second Convertible Security**” and together with the First Convertible Security, the “**Convertible Securities**”).

Lind is entitled to convert the Convertible Securities in monthly instalments over their two year term. Conversion will be at the higher of (a) 85% of the five day trailing VWAP of the Common Shares prior to the date of conversion; and (b) the five day trailing VWAP of the Common Shares prior to the date of conversion, less the maximum discount allowable in accordance with Exchange rules. Upon the occurrence of an event of default or another specified event, Lind is entitled to accelerate its conversion right to the full

amount of the face value or demand repayment in cash. To the extent that the full face value of the Convertible Securities has not been converted at maturity the balance of the face value is to be paid in cash at the end of the two year term. In addition, in respect of the Second Convertible Security (if any), the Company has agreed to issue warrants pursuant to a formula based on the amount funded and the prevailing five day VWAP prior to the date of issue (i.e.(US\$2.8 million/VWAP per WLC Share during the five trading days immediately prior to the Second Convertible Security closing) X 0.50), exercisable into Common Shares for a period of three years, at an exercise price of 120% of the VWAP per Common Share for the five trading days before the Second Convertible Security closing. Pursuant to the Convertible Security Funding Agreement, the Company has also granted security over the plant and equipment owned by Hectatone Inc.

Co-Operation Agreement with POSCO

On January 17, 2014 LAC signed a Co-Operation agreement with POSCO, Korea's largest steel company and a leader in the development of advanced materials processes. Pursuant to the Agreement, POSCO has located the Demo Plant at the Cauchari-Olaroz Project. The term of the Co-Operation Agreement was 18 months, but has been extended until December 31, 2015.

The Co-Operation Agreement assigns business responsibilities between POSCO and the Company, whereby POSCO is responsible for the development of the technology and management and operation of the Demo Plant, while the Company provides resources in the form of brine, local support and certain infrastructure and land for the plant. The Co-operation Agreement is limited to Demo Plant operations, but provides for a 3-month exclusivity period to negotiate terms of a commercial stage operation. Costs of constructing, operating and decommissioning the demo plant are borne by POSCO, which also retains 100% ownership of the plant.

Royalty Purchase Agreement

In February 2013, the Company completed a Royalty Purchase Agreement with Orion pursuant to which Orion agreed to pay to WLC up to US\$20 million in two tranches, US\$11 million and US\$9 million, in consideration for the sale of a royalty on the Company's Kings Valley Project. The royalty initially consists of a gross revenue royalty on all production from the Kings Valley Project of 8% until the first and second funding tranches have been repaid. At that time the royalty was to have been reduced to 3.5% for the life of the project, subject to the Company's right at any time to reduce the royalty to 1.75% upon payment to Orion of US\$20 million.

In September 2013, Orion provided the Company with funding of US\$5.5 million, by amending the terms of the Royalty Purchase Agreement, pursuant to the Royalty Amending Agreement. Under the terms of the Royalty Amending Agreement, the Company received US\$2 million of new capital from Orion, and an additional US\$3.5 million advance from the remaining US\$9 million funding obligation of Orion under the existing royalty facility. As compensation for the additional funding, the general royalty was increased by 0.5% to 4.0%, while the initial 8% "payback" royalty rate will remain in place until an additional US\$2 million in royalty payments (for an aggregate of US\$22 million) have been paid. The Company has the option at any time to reduce the royalty to 1.75% upon payment to Orion of US\$22 million. Following the additional financing, Orion entered into an agreement with Kaizen to acquire the majority of Kaizen's interest in the Company, resulting in Orion becoming a 19.9% shareholder of the Company.

INTERESTS OF EXPERTS

To the knowledge of the Company, none of the QPs for the Cauchari FS or the Kings Valley TR as identified elsewhere in this AIF, holds any registered or beneficial interest in any securities or other property of the Company other than Dennis Bryan, a QP in this AIF, who owns 4,400 Common Shares.

PwC is the independent registered chartered accountants of the Company and is independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of British Columbia.

ADDITIONAL INFORMATION

Additional information including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and options to purchase Common Shares of the Company and securities authorized for issuance under equity compensation plans is contained in the management proxy circular dated February 17, 2015 for the annual general meeting of the Company held on March 30, 2015, which is available on SEDAR at www.sedar.com. Additional financial information is contained in the Company's comparative financial statements and MD&A as at and for the years ended September 30, 2015 and 2014 and the interim periods ending December 31, 2014, March 31, 2015 and June 30, 2015, which are available on SEDAR at www.sedar.com. Additional information relating to the Company may be found on SEDAR at www.sedar.com.

SCHEDULE “A” DEFINITIONS

Definitions

The abbreviations set forth below have the following meanings in this AIF, or in documents incorporated by reference in this AIF:

“**Act**” means the *Securities Act* (British Columbia), as amended, superseded or replaced from time to time;

“**ALS**” means ALS Chemex Labs Ltd. and its affiliates;

“**Arrangement**” means the arrangement of LAC pursuant to the terms of a plan of arrangement whereby the Company acquired all of the issued and outstanding common shares of LAC through the issuance of Common Shares to the securityholders of LAC;

“**Arrangement Agreement**” means the arrangement agreement entered into between the Company and LAC dated June 30, 2015 whereby the parties agreed to the Arrangement;

“**ASA**” means Alex Steward Laboratories S.A. located in Mendoza, Argentina;

“**BCP**” means BCP Innovation PTE. Ltd., an affiliate of the Bangchak Petroleum Public Company Limited;

“**BCP Private Placement**” means the non-brokered private placement of 9,214,211 subscription receipts to BCP at a price of US\$0.54264 per subscription receipt;

“**BCBCA**” means the *Business Corporations Act* (British Columbia);

“**BLM**” means the U.S. Department of the Interior Bureau of Land Management;

“**Board of Directors**” means the board of directors of the Company;

“**Bought Deal Warrants**” means the 5,706,875 common share purchase warrants forming part of the June 2015 Financing, which each entitle the holder to acquire one Common Share at a price of \$0.90 at any time prior to June 9, 2017;

“**CaCl₂**” means calcium chloride;

“**CaO**” means calcium oxide;

“**Case 1**” means a start-up scenario at the Kings Valley Project delivering 689,850 tonnes of dry mill feed per year for 20 years;

“**Case 2**” means a full production scenario at the Kings Valley Project delivering 689,850 tonnes of dry mill feed per year for three years and increasing to 1,379,700 tonnes of dry mill feed per year for a further 17 years;

“**Cauchari-Olaroz Project**” means the Company’s Cauchari-Olaroz brine lithium project located in the province of Jujuy in Northwest Argentina;

“**Cauchari FS**” means the technical report entitled “Feasibility Study – Reserve Estimation and Lithium Carbonate and Potash Production at the Cauchari-Olaroz Salars, Jujuy Province Argentina” dated July 11, 2012;

“**Chevron**” means Chevron Resources Company;

“**CIM**” means Canadian Institute of Mining, Metallurgy and Petroleum;

“**CIM Definition Standards**” means the CIM Definition Standards on Mineral Resources and Reserves;

“**Common Shares**” means the common shares of the Company;

“**Company**” or “**WLC**” means Western Lithium USA Corporation and, as the context requires, its subsidiaries;

“**Co-operation Agreement**” means the agreement entered into between POSCO and LAC on January 17, 2014 pursuant to which POSCO, LAC and Minera assigned business responsibilities with respect to the development of the Cauchari-Olaroz Project;

“**Cyprus**” means Cyprus Gold Exploration Corporation;

“**Demo Plant**” means POSCO’s lithium extraction demonstration plant which processed brine from the Company’s Cauchari-Olaroz Project from December 2014 to January 2015;

“**Ecuador Principles**” means a set of standards for determining, assessing and managing social and environmental risk in project financing established by the World Bank Group and a consortium of global financial institutions;

“**EIS**” means the Environmental Impact Statement prepared for the Cauchari-Olaroz Project;

“**Exchange**” means the Toronto Stock Exchange;

“**Exchange Ratio**” means 0.789 Common Shares that were distributed pursuant to the Arrangement to the former shareholders of LAC for each LAC share held;

“**Fernley Facility**” means the Hectatone™ Business manufacturing facility based in Fernley, Nevada;

“**Geologic**” means Geologic Resource Partners LLC;

“**GSI**” means GeoSystems International, Inc.;

“**ha**” means hectares;

“**Heads of Agreement**” means the Heads of Agreement entered into between LAC and POSCO on August 27, 2014;

“**Hectatone™**” means organophilic clay-based products being developed by Hectatone Inc.;

“**Hectatone™ Business**” means the Hectatone™ business operated by Hectatone Inc.;

“**IRR**” means internal rate of return;

“**JEMSE**” means Jujuy Energia y Minería Sociedad del Estado, the government of Jujuy’s mining investment company, involved in the development and regulations of mining projects in the Argentinean province of Jujuy;

“**JEMSE LOI**” means the letter of intent between JEMSE and LAC dated November 2012 whereby JEMSE may acquire an equity interest in the Cauchari-Olaroz Project in exchange for providing management services to develop the Cauchari-Olaroz Project;

“**June 2015 Units**” means units of the Company consisting of one Common Share and one half of one Bought Deal Warrant;

“**K**” means potassium;

“**KCI**” means potash;

“**Kings Valley Project**” means the Company’s mineral property, consisting of five clay lenses hosting significant lithium mineralization located in Humboldt County, Nevada;

“**Kings Valley TR**” means the technical report entitled “Updated NI 43-101 Technical Report, Kings Valley Project, Humboldt County, Nevada” dated May 9, 2014;

“**km**” means kilometre;

“**KUS\$**” means thousands of US dollars;

“**KVP**” means KV Project LLC, a limited liability company managed by Western Lithium Nevada;

“**LAC**” means Lithium Americas Corp.; which company became a wholly owned subsidiary of the Company pursuant to the Arrangement. References to LAC in this AIF are to the publicly traded entity as it existed prior to the Arrangement;

“**LAC Rights Offering**” means the rights offering conducted by LAC in March 2014 whereby LAC raised gross proceeds of \$18.55 million by issuing 65,120,902 common shares under a basic subscription privilege extended to rights holders (representing over 84% of the total shares on offer) with 12,187,579 additional common share issued pursuant to exercises of the additional subscription privilege;

“**LAC Warrants**” means the 78,900 common share purchase warrants issued in connection with the Arrangement, which entitle the holder to acquire one Common Share at a price of \$0.48 at any time prior to August 28, 2016;

“**LCE**” means lithium carbonate equivalent. Lithium is converted to lithium carbonate (Li_2CO_3) by multiplying lithium by 5.323;

“**Li**” means lithium;

“**Lithium Americas Shares**” means all of the issued and outstanding common shares of LAC at the time of the Arrangement;

“**Lind**” means The Lind Partners LLC, a New York based asset management firm;

“**LOM**” means life-of-mine;

“**Los Boros**” means Grupo Minero Los Boros S.A.;

“**m**” means metre;

“**May 2014 Units**” means units of the Company consisting of one Common Share and one-half of one common share purchase warrant. Each whole common share purchase warrant entitles the holder thereof to acquire one share at a price of \$0.75 until May 16, 2016;

“**Mg**” means milligrams;

“**Mg/L**” means milligrams per liter

“**Minera**” means Minera Exar S.A., the Company’s wholly owned subsidiary incorporated under the laws of Argentina through which it holds its interest in the Cauchari-Olaroz Project;

“**Mining Act**” means the *U.S. General Mining Act of 1872*, also known as the Mining Law of 1872, as amended;

“**MLLA**” means the *Mineral Lands Leasing Act of 1920*, as amended;

“**MW**” means megawatts;

“**Na**” means sodium;

“**NI 43-101**” means National Instrument 43-101 - Standards of Disclosure for Mineral Projects of the Canadian Securities Administrators;

“**NI 52-110**” means National Instrument 52-110 - Audit Committees of the Canadian Securities Administrators;

“**NPV**” means net present value;

“**Orion**” means Orion Mine Finance Fund I, formerly RK Mine Finance (Master) Fund II L.P.;

“**pH**” means the measure of acidity/alkalinity of an aqueous solution;

“**PoO**” means a plan of operation submitted to the BLM and the Nevada Division of Environmental Protection in respect of a proposed mineral project;

“**ppm**” means parts per million;

“**QA/QC**” means quality assurance and quality control;

“**QP**” means a qualified person as defined under NI 43-101;

“**Reserva**” means Reserva International LLC;

“**RC**” means reverse circulation;

“**Royalty Amending Agreement**” means the amendment to the royalty purchase agreement dated September 20, 2013, whereby the Company, Western Lithium Corporation, KVP and Orion amended the terms of the Royalty Purchase Agreement;

“**Royalty Purchase Agreement**” means the royalty purchase agreement dated February 4, 2013 among the Company, Western Lithium Corporation, KVP and Orion pursuant to which Orion agreed to pay to the Company up to US\$20 million in consideration for the sale of a royalty on its Kings Valley Project;

“**Stage 1 Lens**” means one of the five clay lenses at the Kings Valley Project where the Company has completed a pre-feasibility study and declared lithium reserves and resources;

“**Stage 2 Lens**” means one of the five clay lenses at the Kings Valley Project where the Company has declared a lithium resource;

“**TPA**” means tonnes per annum;

“Triggering Transaction” means a subscription for equity securities issued by the Company to one or more financial or strategic investors (including but not limited BCP, an affiliate of BCP, or its designated nominee), in one or a series of transactions, in which the aggregate subscription amount for the equity securities issued is no less than \$100,000,000;

“TSF” means a tailings storage facility;

“UM Claims” means unpatented mining claims granted pursuant to the Mining Act;

“USGS” means the U.S. Geological Survey;

“WEDC” means Western Energy Development Corporation, a wholly-owned subsidiary of Kaizen Discovery Inc.; and

“Western Lithium Nevada” means Western Lithium Corporation, a wholly-owned subsidiary of the Company.

SCHEDULE “B”
AUDIT COMMITTEE CHARTER

The audit committee is a committee of the board of directors to which the board delegates its responsibilities for the oversight of the accounting and financial reporting process and financial statement audits.

The audit committee will:

- (a) review and report to the board of directors of the Company on the following before they are published:
 - (i) the financial statements and MD&A (management discussion and analysis) (as defined in National Instrument 51-102) of the Company,
 - (ii) the auditor’s report, if any, prepared in relation to those financial statements;
- (b) review the Company’s annual and interim earnings press releases before the Company publicly discloses this information;
- (c) satisfy itself that adequate procedures are in place for the review of the Company’s public disclosure of financial information extracted or derived from the Company’s financial statements and periodically assess the adequacy of those procedures;
- (d) recommend to the board of directors:
 - (i) the external auditor to be nominated for the purpose of preparing or issuing an auditor’s report or performing other audit, review or attest services for the Company, and
 - (ii) the compensation of the external auditor;
- (e) oversee the work of the external auditor engaged for the purpose of preparing or issuing an auditor’s report or performing other audit, review or attest services for the Company, including the resolution of disagreements between management and the external auditor regarding financial reporting;`
- (f) monitor, evaluate and report to the board of directors on the integrity of the financial reporting process and the system of internal controls that management and the board of directors have established;
- (g) monitor the management of the principal risks that could impact the financial reporting of the Company;
- (h) establish procedures for:
 - (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters, and
 - (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters;
- (i) pre-approve all non-audit services to be provided to the Company or its subsidiary entities by the Company’s external auditor;

- (j) review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Company; and
- (k) with respect to ensuring the integrity of disclosure controls and internal controls over financial reporting, understand the process utilized by the Chief Executive Officer and Chief Financial Officer to comply with Multilateral Instrument 52-109.

Composition of the Committee

The committee will be composed of three directors from the Company's board of directors, all of whom are independent.

All members of the committee will be financially literate as defined by applicable legislation. If, upon appointment, a member of the committee is not financially literate as required, the person will be provided a three month period in which to achieve the required level of literacy.

Authority

The committee has the authority to engage independent counsel and other advisors as it deems necessary to carry out its duties and the committee will set the compensation for such advisors.

The committee has the authority to communicate directly with and to meet with the external auditors and the internal auditor, without management involvement. This extends to requiring the external auditor to report directly to the committee.

Reporting

The reporting obligations of the committee will include:

1. reporting to the board of directors on the proceedings of each committee meeting and on the committee's recommendations at the next regularly scheduled directors' meeting; and
2. reviewing, and reporting to the board of directors on its concurrence with, the disclosure required by Form 52-110F2 in any management information circular prepared by the Company.