LithiumAmericas

NEWS RELEASE

Western Lithium Arranges US$20 Million Royalty Financing for Oilfield Drilling Additives Facility and Lithium Demonstration Plant

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RENO, NEVADA--(Marketwire - Feb. 5, 2013) - Western Lithium USA Corporation ("Western Lithium", the "Company") (TSX:WLC)(OTCQX:WLCDF) is pleased to announce that it has entered into a Royalty Purchase Agreement with RK Mine Finance (Master) Fund II L.P. ("Red Kite") pursuant to which Red Kite has agreed to pay to Western Lithium up to US$20 million in consideration for the sale of a royalty on its Kings Valley Project, located in Nevada, USA. An initial tranche of US$11 million will be funded concurrently with the closing of the royalty arrangement. A second tranche of US$9 million will be funded upon completion of the engineering and design of the lithium demonstration plant and once certain regulatory assurances have been received from the Bureau of Land Management with respect to the sale of by-products associated with lithium production, provided it occurs within three years following the date of the agreement. Closing of the royalty arrangement is expected to occur on or about February 6, 2013.

Western Lithium plans to use the initial funding tranche to construct a 10,000 ton per year process facility to produce Hectorite-based organoclay used in the oil and gas drilling industry. To make organoclay, the Company's Hectorite clay must be processed using an extruder and combined with several additives. Organoclay typically sells in a range of US$2,000 to $4,500 per short ton FOB shipping point, depending on performance. Engineering designs for a plant and negotiations for potential production locations are underway. Permitting of the Hectorite mine has commenced in Nevada and the Company is targeting to commence production and positive cash flow in early 2014 from the clay operation. The Company has been producing pilot-scale samples of its products, which demonstrate thermal stability for application in high pressure high temperature (HPHT) drilling exploration environments. With the success of new directional drilling technology in recent years applied to shale gas and deep oil and gas drilling targets, the Company anticipates that there is a strong growth market for its thermally stable Hectorite products.

Western Lithium's Hectorite clay is of high purity, which enables it to use a dry process to manufacture its products, that is expected to give the Company a cost advantage in the industry. A portion of the proceeds from the initial tranche will also be used to complete the design and engineering for a lithium demonstration plant.

The second tranche of funding is principally allocated towards the construction of a demonstration plant to test the viability of its lithium extraction process at a large scale. The Company released a pre-feasibility study in January 2012 (see news release dated January 27, 2012) that demonstrated competitive economics and a pre-tax net present project value of US$551 million at an 8% discount rate. Western Lithium believes that the next natural step is to work with an engineering technology group or strategic partner to further de-risk the process technology, in order to attract construction capital for the project.

Jay Chmelauskas, President and CEO of Western Lithium, commented: "Over the next year, we will focus our efforts on our specialty Hectorite drilling additive business with the expectation of generating positive cash flow for the Company in early 2014. In the longer term, we will construct a lithium demonstration plant to gain investment confidence with our project, and to realize the full potential of its asset value. We are positioning Red Kite and our shareholders and stakeholders to expected near term strong growth in the drilling industry and longer term strong growth in the lithium sector."

The royalty will be a gross royalty on all production from the Kings Valley Project. It will consist of a gross revenue royalty of 8% until the first and second funding tranches have been repaid. The royalty will then be reduced to 3.5% for the life of the project. Western Lithium will have the option at any time to reduce the royalty to 1.75% upon payment to Red Kite of US$20 million.

Western Lithium has agreed to pay a finder's fee to Haywood Capital Markets in respect of the transaction equal to 6% of the proceeds raised in both tranches. For the first tranche, the finder's fees will, subject to approval of the TSX, be paid as to US$429,000 in cash and US$231,000 in common shares issuable at the five day volume weighted average trading price of the common shares on the TSX for the five trading days immediately preceding the closing.

About Red Kite

Red Kite provides mining companies with project financing and metal off-take agreements for initiation or expansion of mine production and is part of the Red Kite group. Red Kite operates across the global metals industry from offices in Bermuda, Denver, Hong Kong, London, New York, Shanghai and Sydney. Investors in Red Kite funds include college endowments, foundations, family offices, pensions and other institutional investors.

Western Lithium is developing the Kings Valley, Nevada lithium deposit into a strategic, scalable and reliable source of high quality lithium carbonate. The Company is positioning itself as a major U.S.-based supplier to support the

rising global demand for lithium carbonate that is expected from the increased use of hybrid/electric vehicles. The Company is also pursuing the opportunity to be a supplier of specialty hectorite clay drilling additives to the oil and gas industry, and in particular, to support the growth of deep directional drilling applications in high temperature and high pressure environments.

Cautionary Note Regarding Forward Looking Statements and Information: Certain disclosure in this release constitutes forward-looking statements and information. When used in this release, the words "will", "once", "provided", "plans", "targeting", "expected", "expectation", "anticipates", "believe" or comparable terminology are intended to identify forward-looking statements and information. The forward-looking statements and information in this release include, among others the completion of the Royalty Purchase Agreement, including both the first tranche funding and the second tranche funding, the Company's plans for and anticipated benefit from the construction of facitlities and development of hectorite based organoclay operations as well as the timing of commercial operations and positive cash flow, the results of design and engineering of lithium demonstration plant and the eventual construction of that plant. Such statements and information involve the application of certain factors and assumptions by the Company that are based on the Company's current beliefs as well as assumptions made by and information currently available to the Company. Although the Company considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect, and the forward-looking statements in this release are subject to numerous risks, uncertainties and other factors that may cause future results to differ materially from those expressed or implied in such forward-looking statements and information. Such risk factors include, among others, that actual results of the Company's development activities will be different than those expected by management, that the Company will be unable to obtain or will experience delays in obtaining any required government approvals, that the Company will be unable to meet all conditions required for funding under the Royalty Purchase Agreement, the ability to procure required infrastructure, equipment and supplies in sufficient quantities and on a timely basis and the conditions of the markets generally. Readers are cautioned not to place undue reliance on forward-looking statements and information. The Company does not intend, and expressly disclaims any intention or obligation to, update or revise any forward-looking statements and information whether as a result of new information, future events or otherwise, except as required by law.

The TSX has neither approved nor disapproved of the contents of this press release. Neither the TSX nor its Regulation Services Provider (as that term is defined in the policies of the TSX) accepts responsibility for the adequacy or accuracy of this press release.

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