

Consolidated financial statements of

**Lithium Americas Corp.**

For the Year Ended February 28, 2011

and

For the Period from April 28, 2009 (date of incorporation) to  
February 28, 2010

**LITHIUM**  

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# Lithium Americas Corp.

February 28, 2011 and 2010

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## **Independent Auditor's Report**

To the Shareholders of  
Lithium Americas Corp.

We have audited the accompanying consolidated financial statements of Lithium Americas Corp., which comprise the consolidated statements of financial position as at February 28, 2011 and 2010, and the consolidated statements of income, consolidated statements of comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the year ended February 28, 2011 and for the period from April 28, 2009 (date of incorporation) to February 28, 2010, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Lithium Americas Corp. as at February 28, 2011 and 2010 and its financial performance and its cash flows for the year ended February 28, 2011 and for the period from April 28, 2009 (date of incorporation) to February 28, 2010 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

## **Emphasis of Matter**

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates that Lithium Americas Corp. is in the exploration stages of its lithium carbonate properties and has not determined whether the exploration properties contain mineral reserves that are economically recoverable. These conditions, along with the fact that the Company incurred a loss of \$5,791,842 for the year ended February 28, 2011 and as at February 28, 2011 the Company's accumulated deficit was \$8,417,441, indicate the existence of a material uncertainty that may cast significant doubt about Lithium America Corp.'s ability to continue as a going concern.

## ***“Deloitte & Touche LLP”***

Chartered Accountants  
Licensed Public Accountants  
Toronto, Canada  
May 13, 2011

# Lithium Americas Corp.

## Consolidated statements of income

(In Canadian dollars)

	Year ended February 28, 2011	For the period from April 28, 2009 (date of incorporation) to to February 28, 2010 (Note 1)
	\$	\$
Investment revenue	194,109	7,849
Foreign exchange gains	468,453	65,370
Employee benefits expense (Note 5)	(1,025,345)	(580,113)
Professional fees	(639,169)	(569,858)
Administrative expense	(1,510,411)	(335,682)
Consulting expense	(334,845)	(74,756)
Share-based payment expense (Note 6)	(2,656,274)	(1,037,820)
Depreciation expense (Note 7)	(288,360)	(30,249)
Loss before tax	(5,791,842)	(2,555,259)
Tax expense - current (Note 8)	-	(70,340)
Loss for the period	(5,791,842)	(2,625,599)
Loss per share, basic and diluted	(0.08)	(0.08)
Weighted average number of shares outstanding	68,811,632	32,426,144

The accompanying notes are an integral part of these consolidated financial statements.

# Lithium Americas Corp.

## Consolidated statements of comprehensive loss

(In Canadian dollars)

	Year ended February 28, 2011	For the period from April 28, 2009 (date of incorporation) to to February 28, 2010 (Note 1)
	\$	\$
<b>Loss for the period</b>	<b>(5,791,842)</b>	<b>(2,625,599)</b>
Other comprehensive loss		
Foreign exchange difference on translating foreign operations		
Foreign exchange differences arising during the period	<b>(3,192,219)</b>	<b>(279,018)</b>
<b>Total comprehensive loss for the period</b>	<b>(8,984,061)</b>	<b>(2,904,617)</b>

The accompanying notes are an integral part of these consolidated financial statements.

# Lithium Americas Corp.

## Consolidated statements of financial position

(In Canadian dollars)

	As at February 28, 2011	As at February 28, 2010
	\$	\$
<b>Assets</b>		
Non-current assets		
Property, plant and equipment (Note 7)	754,284	374,250
Property rights and exploration costs (Note 9)	28,390,102	9,889,289
<b>Total non-current assets</b>	<b>29,144,386</b>	<b>10,263,539</b>
Current assets		
Cash and cash equivalents	25,801,450	9,064,023
Other assets (Note 10)	108,040	237,891
<b>Total current assets</b>	<b>25,909,490</b>	<b>9,301,914</b>
<b>Total assets</b>	<b>55,053,876</b>	<b>19,565,453</b>
<b>Equity and liabilities</b>		
Capital and reserves		
Issued capital (Note 6)	53,772,288	12,845,192
Reserves	8,276,999	7,742,232
Deficit	(8,417,441)	(2,625,599)
<b>Total equity</b>	<b>53,631,846</b>	<b>17,961,825</b>
Current liabilities		
Accounts payable and accrued liabilities	1,048,326	1,353,382
Due to related parties (Note 11)	373,704	250,246
<b>Total current liabilities</b>	<b>1,422,030</b>	<b>1,603,628</b>
<b>Total liabilities</b>	<b>1,422,030</b>	<b>1,603,628</b>
<b>Total equity and liabilities</b>	<b>55,053,876</b>	<b>19,565,453</b>

### Commitments for expenditure (Note 12)

### Subsequent events (Note 18)

Approved by the Board of Directors on May 13, 2011

"David D'Onofrio" Director

"Waldo Perez" Director

The accompanying notes are an integral part of these consolidated financial statements.

# Lithium Americas Corp.

## Consolidated statements of changes in equity

(In Canadian dollars)

	Issued capital	Warrants reserve	Share- based payment reserve	Foreign currency translation reserve	Deficit	Total
	\$	\$	\$	\$	\$	\$
Balance, February 28, 2010	12,845,192	6,674,560	1,346,690	(279,018)	(2,625,599)	17,961,825
Loss for the year ended February 28, 2011					(5,791,842)	(5,791,842)
Other comprehensive loss for the period				(3,192,219)		(3,192,219)
	12,845,192	6,674,560	1,346,690	(3,471,237)	(8,417,441)	8,977,764
Initial public offering (Note 1)	45,000,140					45,000,140
Issue of broker warrants (Note 6)		1,250,250				1,250,250
Share issue costs - broker warrants issued (Note 6)	(1,250,250)					(1,250,250)
Share issue costs - paid in cash (Note 6)	(3,669,011)					(3,669,011)
Stock options exercised (Note 6)	846,217		(346,466)			499,751
Recognition of share-based payments - expensed (Note 6)			2,656,274			2,656,274
Recognition of share based-payments - capitalized (Notes 6 and 9)			166,928			166,928
<b>Balance as at February 28, 2011</b>	<b>53,772,288</b>	<b>7,924,810</b>	<b>3,823,426</b>	<b>(3,471,237)</b>	<b>(8,417,441)</b>	<b>53,631,846</b>
Loss for the period from April 28, 2009 (date of incorporation) to February 28, 2010	-	-	-	-	(2,625,599)	(2,625,599)
Other comprehensive loss for the period	-	-	-	(279,018)	-	(279,018)
	-	-	-	(279,018)	(2,625,599)	(2,904,617)
Issue of special share (Note 6)	1	-	-	-	-	1
Issue of ordinary shares for mineral rights for exploration (Notes 6 and 9)	1,197,000	-	-	-	-	1,197,000
Issue of ordinary shares for employee benefits (Note 6)	90,000	-	-	-	-	90,000
Issue of ordinary shares, and warrants for cash (Note 6)	14,679,597	5,303,403	-	-	-	19,983,000
Issue of broker warrants (Note 6)	-	1,371,157	-	-	-	1,371,157
Share issue costs - broker warrants issued (Note 6)	(1,371,157)	-	-	-	-	(1,371,157)
Share issue costs - paid in cash (Note 6)	(1,750,249)	-	-	-	-	(1,750,249)
Recognition of share based payments - expensed (Note 6)	-	-	1,037,820	-	-	1,037,820
Recognition of share based payments - capitalized (Notes 6 and 9)	-	-	308,870	-	-	308,870
<b>Balance as at February 28, 2010</b>	<b>12,845,192</b>	<b>6,674,560</b>	<b>1,346,690</b>	<b>(279,018)</b>	<b>(2,625,599)</b>	<b>17,961,825</b>

The accompanying notes are an integral part of these consolidated financial statements.

**Lithium Americas Corp.**  
**Consolidated statements of cash flows**  
(In Canadian dollars)

	Year ended February 28, 2011	For the period from April 28, 2009 (date of incorporation) to February 28, 2010 (Note 1)
	\$	\$
<b>Cash flows from operating activities</b>		
Loss for the period	(5,791,842)	(2,625,599)
Income tax expense		70,340
Foreign exchange gains	(468,453)	(65,370)
Depreciation expense	288,360	30,249
Expense recognized in respect of equity-settled shared-based payments expense	2,656,274	1,037,820
Expense recognized in respect of shares issued in exchange for consulting services	-	90,000
	<b>(3,315,661)</b>	<b>(1,462,560)</b>
Movements in working capital		
Decrease in other assets	129,851	(237,891)
Increase (decrease) in accounts payable and accrued liabilities	(305,056)	1,353,382
Increase in amounts due to related parties	123,458	250,246
Net cash used in operations	<b>(3,367,408)</b>	<b>(96,823)</b>
Cash flows from investing activities		
Purchase of property, plant and equipment	(755,038)	(424,359)
Acquisition of property rights and exploration costs	(20,653,911)	(7,817,140)
Net cash used in investing activities	<b>(21,408,949)</b>	<b>(8,241,499)</b>
Cash flows from financing activities		
Proceeds from share subscriptions	-	19,983,001
Repayment of notes payable	-	(1,000,000)
Proceeds from the issuance of shares (initial public offering)	45,000,140	-
Exercise of share options	499,751	-
Share issuance costs	(3,669,011)	(1,750,249)
Net cash generated by financing activities	<b>41,830,880</b>	<b>17,232,752</b>
Net increase in cash and cash equivalents	<b>17,054,523</b>	<b>8,894,430</b>
Effects of exchange rate changes on the balance of cash held in foreign currencies	(317,096)	169,593
Cash and cash equivalents at the beginning of the period	<b>9,064,023</b>	-
Cash and cash equivalents at the end of the period	<b>25,801,450</b>	<b>9,064,023</b>
Cash	<b>25,625,932</b>	<b>8,904,023</b>
Money market instruments	<b>175,518</b>	<b>160,000</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>25,801,450</b>	<b>9,064,023</b>

**Non-cash transactions (Note 13)**  
**Supplemental cash flow information (Note 17)**

The accompanying notes are an integral part of these consolidated financial statements.

# Lithium Americas Corp.

## Notes to the consolidated financial statements

February 28, 2011 and 2010

(In Canadian dollars, except where otherwise noted)

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### 1. Nature of operations and going concern

Lithium Americas Corp. (the "Company") is a publicly listed company incorporated in Canada and its shares are listed on the Toronto Stock Exchange ("TSX"). It has offices in Toronto, Canada, Jujuy and Mendoza, Argentina. The Company's registered office is located at 100 King Street West, Suite 1600, 1 First Canadian Place, Toronto, Ontario, M5X 1G5. The Company was incorporated on April 28, 2009, and did not become operational until June 2009. The principal activity of the Company is the exploration of its lithium and potassium properties in Argentina.

These consolidated financial statements include the Company's wholly owned subsidiaries, Minera Exar S. A., a company incorporated in Argentina and 2265866 Ontario Inc., a company incorporated in Canada.

The Company filed its preliminary prospectus on March 16, 2010 and its final prospectus, with audited financial statements for the period from April 28, 2009 (date of incorporation) to February 28, 2010, on May 10, 2010.

On May 13, 2010 the Company closed its initial public offering of 24,324,400 common shares at a price of \$1.85 per share for gross proceeds of \$45,000,140.

The Company's common shares commenced trading on the TSX, under the symbol LAC, on May 14, 2010.

The Company is primarily engaged in the exploration of lithium carbonate on properties in Argentina. The Company has not determined whether the exploration properties contain mineral reserves that are economically recoverable. The recoverability of the amount shown for mineral rights for exploration is dependent upon the discovery of economically recoverable reserves of lithium carbonate on the exploration properties and on attaining future profitable production from such properties.

As the Company has not yet achieved profitable operations the Company incurred a loss for the year ended February 28, 2011 of \$5,791,842 and as at February 28, 2011 reported an accumulated deficit of \$8,417,441. These conditions, along with other matters relevant to exploration companies, such as continuing losses, dependence upon key individuals and the ability to secure adequate financing, indicate the existence of material uncertainties about the Company's ability to continue as a going concern.

As at February 28, 2011 the Company had \$25,801,450 in cash and cash equivalents which it believes is sufficient to finance its current operating and exploration expenditures for the foreseeable future. Longer term, the Company will pursue opportunities to raise additional capital through debt, equity issuances, or other available means in order to continue funding operating and exploration expenditures. However, there can be no assurance it will be able to raise funds in the future.

These consolidated financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern.

These consolidated financial statements were approved by the Board of Directors on May 13, 2011.

### 2. Significant accounting policies

#### *Statement of compliance*

The Company's financial statements have been prepared following International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

#### *Basis of preparation*

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

# Lithium Americas Corp.

## Notes to the consolidated financial statements

February 28, 2011 and 2010

(In Canadian dollars, except where otherwise noted)

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### 2. Significant accounting policies (continued)

#### *Basis of consolidation*

The consolidated financial statements incorporate the financial statements of the Company and the entity controlled by the Company.

Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement and the consolidated statement of comprehensive loss from the effective date of acquisition and up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial records of the subsidiary to bring their accounting policies in line with those used by the Company. All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

#### *Business combinations*

Acquisitions of subsidiaries are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the subsidiary. Acquisition related costs are recognized in profit or loss as incurred.

#### *Goodwill*

Goodwill arising in a business combination is measured as the excess of the sum of consideration transferred over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. The Company's policy is to assess goodwill at the time of acquisition and at each subsequent reporting period and to write-off any impairment identified in that process to profit or loss.

#### *Foreign currencies*

The individual financial records of each group entity are kept in the currency of the primary economic environment in which the entity operates (its functional currency). The functional currency, as determined by management, of Lithium Americas Corp. is Canadian Dollars and the functional currency of Minera Exar S.A. is Argentinean Pesos. For the purpose of the consolidated financial statements, the results and financial position are expressed in Canadian dollars.

Transactions in currencies other than the entity's functional currency are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in profit and loss in the period in which they arise.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the foreign operations are expressed in Canadian dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity.

#### *Share-based payments*

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Refer to note 6 for details regarding the determination of the fair value of equity-settled share-based payment transactions.

Equity-settled share-based payment transactions related to services provided are measured at the fair value of the services received. If the services cannot be measured reasonably the transaction is measured at the fair value of the equity instrument issued.

# Lithium Americas Corp.

## Notes to the consolidated financial statements

February 28, 2011 and 2010

(In Canadian dollars, except where otherwise noted)

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### 2. Significant accounting policies (continued)

#### *Deferred tax*

Deferred tax is recognized on loss carry-forwards and tax credits and on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

#### *Deferred tax for the period*

Deferred taxes are recognized as an expense or income in profit and loss, except when they relate to items that are recognized outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognized outside profit or loss. In the case of a business combination, the tax effect is included in the accounting for the business combination.

#### *Cash and cash equivalents*

Cash and cash equivalents comprise cash at banks and on hand, and short term money market instruments with an original maturity of three months or less, which are readily convertible into a known amount of cash.

#### *Mineral rights for exploration*

The Company's accounting policy is to capitalize costs to mineral rights for exploration relating to acquisition of rights to explore, topographical, geological, geochemical and geophysical studies, exploratory drilling, trenching, technical feasibility studies for extracting lithium carbonate and other costs directly attributable to exploration projects. Mineral rights for exploration are carried at cost less accumulated impairment losses. The Company assesses the facts and circumstances and determines if there is an indication that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. One or more of the following facts and circumstances would give rise to the Company testing and evaluating exploration and evaluation assets for impairment:

- a. the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed.
- b. substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned.
- c. exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area.
- d. sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

# Lithium Americas Corp.

## Notes to the consolidated financial statements

February 28, 2011 and 2010

(In Canadian dollars, except where otherwise noted)

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### 2. Significant accounting policies (continued)

#### *Mineral rights for exploration (continued)*

If there is an indication of impairment, the Company determines the recoverable amount of this intangible asset by judgments and estimates of future economic benefits and compares this to the carrying amount as at the reporting date. If the carrying amount exceeds the recoverable amount, an impairment loss is recognized in the consolidated income statement.

The Company has assessed the exploration and evaluation assets of all its operating entities and has determined that there is no impairment of its exploration and evaluation assets.

#### *Property, plant and equipment*

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognized so as to write off the cost of assets less their residual values over their useful lives, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

#### *Financial assets*

All financial assets are recognized and derecognized on the trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the time frame established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Financial assets are classified into the following categories: financial assets 'at fair value through profit or loss' ("FVTPL"), 'held-to-maturity investments', 'available-for sale' financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Refer to note 16 for analysis of categories of financial assets.

#### *Impairment of assets*

Impairment of exploration and evaluation assets is assessed in accordance with the criteria noted above under "Mineral rights for exploration". For all other tangible and intangible assets, the Company reviews the carrying amounts of its tangible and intangible assets at the end of each reporting period to determine whether there is any indication that those assets have suffered an impairment loss. Where such impairment exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The Company has assessed the assets of all its operating entities and has determined that there is no impairment of its tangible, intangible or financial assets.

#### *Financial liabilities*

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'. Refer to note 16 for analysis of categories of financial liabilities.

#### *Other financial liabilities*

Other financial liabilities including borrowings are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or (where appropriate) to the net carrying amount on initial recognition.

# Lithium Americas Corp.

## Notes to the consolidated financial statements

February 28, 2011 and 2010

(In Canadian dollars, except where otherwise noted)

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### 2. Significant accounting policies (continued)

#### *De-recognition of financial liabilities*

The Company derecognizes financial liabilities when the obligations are discharged, cancelled or expire.

#### *Standards adopted by the Company in 2010*

IFRS 3 (Revised 2008), *Business combinations*, effective for annual reporting periods beginning on or after July 1, 2009, with early adoption permitted, was issued. Some of the changes from the previous version of IFRS 3, amongst others, include: changes in accounting for partial and step acquisitions, requiring acquisition-related costs to be expensed, requiring contingent consideration to be recognized as a liability, and requiring changes in subsidiary ownership, that do not result in the loss of control, to be accounted for as an equity transaction.

The amendment to IAS 7, *Statement of Cash Flows*, effective for annual periods beginning on or after January 1, 2010, with early adoption permitted, requires that only expenditures that result in a recognized asset in the consolidated statement of financial position can be classified as investing activities.

As part of Improvements to IFRSs (2009) issued in April 2009, the International Accounting Standards Board amended the requirements of IAS 17, *Leases*, regarding the classification of leases of land. Following the amendments, leases of land are classified as either "finance" or "operating".

The amendments to IAS 24, *Related Party Disclosures*, with effective date for annual periods beginning on or after January 1, 2010, simplify the disclosure requirements for entities that are controlled, jointly controlled or significantly influenced by a government (referred to as government-related entities) and clarify the definition of a related party.

Amendments to IAS 27, *Consolidated and separate financial statements*, effective for annual reporting periods beginning on or after July 1, 2009, with early adoption permitted, set out requirements in separate financial statements for the presentation and accounting for subsidiary investments.

Amendments to IAS 32, *Classification of Rights Issues*, effective for annual periods beginning on or after February 1, 2010, with early adoption permitted, set out that rights, options and warrants, that otherwise meet the definition of equity instruments in IAS 32, issued to acquire a fixed number of an entity's own non-derivative equity instruments for a fixed amount in any currency are classified as equity instruments, provided the offer is made pro-rata to all existing owners of the same class of the entity's own non-derivative equity instruments.

IFRIC 9 (Revised), *Reassessment of Embedded Derivatives*, effective for annual reporting periods beginning on or after June 30, 2009, sets out the accounting for embedded derivatives in the case of a reclassification of a financial asset out of the 'fair value through profit or loss' category as permitted by the October 2008 amendments to IAS 39 *Financial Instruments: Recognition and Measurement*.

IFRIC 17, *Distributions of Non-cash Assets to Owners*, effective for annual periods beginning on or after July 1, 2009, with earlier application permitted, establishes accounting policies for recognizing a liability for an obligation to distribute non-cash assets to its owners and any difference between the carrying amount of assets distributed and the carrying amount of the liability.

IFRIC 18, *Transfers of Assets from Customers*, effective for annual periods beginning on or after July 1, 2009, with earlier application permitted if certain conditions are met, establishes that assets received from a customer must be recognized by the entity receiving the asset if the asset meets the definition of an asset under the IASB framework and it establishes the measurement and recognition standards to be followed.

The Company has adopted these standards and amendments for the period ended February 28, 2011; however, there was no impact on the Company as there was no instance of any of the standards or amendments being required within the accounts.

# Lithium Americas Corp.

## Notes to the consolidated financial statements

February 28, 2011 and 2010

(In Canadian dollars, except where otherwise noted)

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### 2. Significant accounting policies (continued)

#### *Future accounting changes*

IFRS 9, *Financial Instruments: Classification and Measurement*, effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments. Management anticipates that this standard will be adopted in the Company's consolidated financial statements for the period beginning March 1, 2013 and has not yet had an opportunity to consider the potential impact of the adoption of IFRS 9.

### 3. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 2 above, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future estimates.

#### *Critical accounting estimates and judgments*

Management applied judgment in determining the functional currency of Lithium Americas Corp. as Canadian Dollars and the functional currency of Minera Exar S.A. as Argentinean Pesos, based on the facts and circumstances that existed during the period.

The Company applied judgment in the determination of the types of costs that are capitalized as mineral rights for exploration as described in the accounting policy in note 2.

The Company reviews the estimated useful lives of property, plant and equipment at the end of each annual accounting period. The Company reviews assets for indication of impairment and applies the impairment accounting policy as described in note 2.

The Company estimates the fair value of shares issued for goods or services based on other private placement transactions with unrelated parties and on the Black Scholes option-pricing model for share options and warrants. The Company has judged that the fair value of the services could not be determined; therefore the fair value of the shares, share options and warrants was used in the measurement of the transactions. These methods of valuation were applied to the equity transactions during the year. Refer to note 6.

# Lithium Americas Corp.

## Notes to the consolidated financial statements

February 28, 2011 and 2010

(In Canadian dollars, except where otherwise noted)

### 4. Segment information

Operating segments were identified on the basis of internal reporting reviews that are performed by the chief operating decision maker. Two segments were identified based on the geographical areas and the reporting structure. The accounting policies of the reportable segments are the same as the Company's accounting policies. The Company operates one business segment based in Canada and one operating segment based in Argentina. Assets, liabilities and loss within each segment are as follows:

	2011			2010		
	Canada	Argentina	Total	Canada	Argentina	Total
	\$	\$	\$	\$	\$	\$
Non-current assets	2,635,398	26,508,988	29,144,386	726,312	9,537,227	10,263,539
Current assets	25,356,453	553,037	25,909,490	8,960,983	340,931	9,301,914
Non-current liabilities	-	-	-	-	-	-
Current liabilities	717,181	704,849	1,422,030	333,564	1,270,064	1,603,628
Investment revenue	192,678	1,431	194,109	4,965	2,884	7,849
Net foreign exchange gains	468,453	-	468,453	64,700	670	65,370
Depreciation expenses	28,552	259,808	288,360	(264)	(29,985)	(30,249)
Share-based payment expenses	2,639,039	17,235	2,656,274	1,037,820	-	1,037,820
Loss before tax	(4,613,867)	(1,177,975)	(5,791,842)	(2,179,304)	(375,955)	(2,555,259)
Income tax expense	-	-	-	-	(70,340)	(70,340)
Loss for the period	(4,613,867)	(1,177,975)	(5,791,842)	(2,179,304)	(446,295)	(2,625,599)

### 5. Employee benefits expense

	2011	2010
	\$	\$
Share-based payment for employee benefits (Notes 6 and 11)	-	90,000
Other short-term employee benefits	1,025,345	490,113
Total employment benefit expense	1,025,345	580,113

# Lithium Americas Corp.

## Notes to the consolidated financial statements

February 28, 2011 and 2010

(In Canadian dollars, except where otherwise noted)

### 6. Issued capital, warrants and share options

#### Issued capital

	Note	Number of shares	Amount \$
Special shares	(i)		
Balance as at February 28, 2011 and 2010		1	1
Common shares	(ii)		
Balance at April 28, 2009		1	1
Re-purchased and cancelled	(iii)	(1)	(1)
Issued for cash	(iv)	3,300,000	181,162
Issued for property acquisition	(v)	11,400,000	1,178,462
Issued for cash and services (net of broker warrants)	(vi)	12,500,000	1,624,000
Issued for cash (net of broker warrants)	(vii)	15,000,000	6,286,235
Issued for cash (net of broker warrants)	(viii)	7,000,000	3,575,333
Balance as at February 28, 2010		49,200,000	12,845,192
Issued for cash (net of broker warrants)	(ix)	24,324,400	40,080,879
Issued for exercise of stock options	(x)	982,834	846,217
Balance as at February 28, 2011		74,507,234	53,772,288

- (i) Special shares have the right to ensure representation on the board of directors but hold no other voting powers.
- (ii) Common shares with no par value carry one vote per share and carry a right to dividends.
- (iii) Incorporator's share re-purchased and cancelled by the Company on May 22, 2009.
- (iv) On May 22, 2009 the Company completed a private placement of 3,300,000 shares at \$0.06 per share for gross proceeds of \$198,000. The Company paid total issue costs of \$16,838.
- (v) On June 2, 2009 and June 11, 2009 the Company issued a total of 11,400,000 shares valued at \$1,197,000 for the acquisition of mineral rights for exploration. The Company paid total costs of \$18,538.
- (vi) On August 4, 2009 the Company completed a private placement of 11,900,000 shares at \$0.15 per share for gross proceeds of \$1,785,000. The Company also issued 600,000 shares at \$0.15 per share for a value of \$90,000 to an employee of the Company in exchange for services rendered. As consideration for services provided, an agent received 1,050,000 broker warrants. Each broker warrant entitles the holder to purchase one common share at \$0.15 until May 13, 2011. The fair value of the brokers warrants was \$105,000 determined using the Black-Scholes option-pricing model using the following assumptions: expected life - 1.7 years; volatility - 150%; dividend rate - nil; risk-free interest rate - 1.2%. The Company paid total issue costs of \$146,000.
- (vii) On September 9, 2009 the Company completed a private placement of 15,000,000 shares at \$0.50 per share for gross proceeds of \$7,500,000. As consideration for services provided, agents received 1,200,000 broker warrants and 150,000 share options. Each broker warrant and each share option entitles the holder to purchase one common share at \$0.50 until May 13, 2011. The fair value of the brokers warrants and share options was \$530,550 determined using the Black-Scholes option-pricing model using the following assumptions: expected life - 1.6 years; volatility - 202.5%; dividend rate - nil; risk-free interest rate - 1.2%. The Company paid total issue costs of \$683,215.

# Lithium Americas Corp.

## Notes to the consolidated financial statements

February 28, 2011 and 2010

(In Canadian dollars, except where otherwise noted)

### 6. Issued capital, warrants and share options

#### *Issued capital (continued)*

- (viii) On December 23, 2009 the Company completed a private placement of 7,000,000 units at \$1.50 per share for gross proceeds of \$10,500,000. Each unit consists of one common share and one-half warrant. Each warrant entitles the holder to purchase one common share at \$2.00 until May 13, 2011. The fair value of the warrants was \$5,244,453 determined using the Black-Scholes option-pricing model using the following assumptions: expected life - 1.3 years; volatility - 295.1%; dividend rate - nil; risk-free interest rate - 2.3%. As consideration for services provided, agents received 383,747 broker warrants. Each full broker warrant entitles the holder to purchase one common share at \$1.50 until May 13, 2011, plus one-half warrant, resulting in the issuance of 191,874 warrants. Each full warrant entitles the holder to purchase one common share at \$2.00 until May 13, 2012. The fair value of the broker warrant was \$794,557 determined using the Black-Scholes option-pricing model using the following assumptions: expected life - 1.3 & 2.3 years; volatility - 295.1%; dividend rate - nil; risk-free interest rate - 1.2%. The Company paid total issue costs of \$885,657.
- (ix) On May 13, 2010 the Company completed an initial public offering of 24,324,400 shares at \$1.85 per share for gross proceeds of \$45,000,140. As consideration for services provided, underwriters received cash commissions equal to 5.5% of the gross proceeds other than in respect of the value of shares subscribed by Symatec Inc. and Mitsubishi Corporation, for which the cash commission was 3.75%, and 1,300,565 broker warrants. As consideration for services provided, an agent received a cash advisory fee equal to 1.0% of the gross proceeds other than in respect of the value of shares subscribed by Symatec Inc. and Mitsubishi Corporation, for which the cash commission was 0.75%, and 237,918 broker warrants. Each broker warrant entitles the holder to purchase one common share at \$1.85 until May 13, 2012. The fair value of the broker warrants was \$1,250,250 determined using the Black-Scholes option-pricing model using the following assumptions: expected life - 2 years; volatility - 115%; dividend rate - nil; risk-free interest rate - 1.62%. The Company paid issue costs of \$3,669,011, including the commissions and advisory fee noted above.
- (x) For the year ended February 28, 2011 a total of 974,500 and 8,334 share options were exercised at \$0.50 and \$1.50, respectively, for total proceeds of \$499,751. Pursuant to the exercise of these share options a total of \$346,466 was reallocated from the share-based payment reserve to share capital.

#### *Warrants*

The following table summarizes information of warrants outstanding at February 28, 2011:

Number	Exercise price \$	Expiry date	Weighted average remaining contractual life
1,050,000	0.15	May 13, 2011	0.2 years
1,200,000	0.50	May 13, 2011	0.2 years
383,747	1.50	May 13, 2011	0.2 years
3,691,874	2.00	May 13, 2012	1.2 years
1,538,483	1.85	May 13, 2012	1.2 years
<u>7,864,104</u>			<u>0.9 years</u>

# Lithium Americas Corp.

## Notes to the consolidated financial statements

February 28, 2011 and 2010

(In Canadian dollars, except where otherwise noted)

### 6. Issued capital, warrants and share options (continued)

#### Warrants (continued)

Subsequent to year end 1,050,000 warrants with an exercise price of \$0.15, 1,200,000 warrants with an exercise price of \$0.50, 383,747 warrants with an exercise price of \$1.50, and 50,000 warrants with an exercise price of \$2.00 were exercised for proceeds of \$1,433,121.

A summary of the changes in warrants during the year are set out below:

	Note	Number	Weighted average exercise price
			\$
Balance at April 28, 2009		-	-
Issued	(vi), (vii) & (viii)	6,325,621	1.38
Balance as at February 28, 2010		6,325,621	1.38
Issued	(ix)	1,538,483	1.85
Balance as at February 28, 2011		7,864,104	1.47

The fair value of warrants issued during the year was determined by using the Black Scholes option-pricing model. Assumptions used are as follows: risk-free interest rate of 1.62% (2010 - 1.2% - 2.3%) determined using the one to five year Government of Canada bond rate; volatility of 115% (2010 - 150% - 295%) determined by comparison to a peer group of Canadian junior venture exchange (TSX-V) companies for up to three years preceding the issuance; and, expected useful lives of 1 year (2010 - 1 - 2 years) determined on anticipated behavior relative to anticipated market conditions.

The weighted average fair value of warrants issued during the year was \$0.81 (2010 - \$1.05).

The expiry date for the warrants varies from one to two years from the date of the Company's initial public offering ("IPO) of May 13, 2010.

#### Share options

The following table summarizes information of share options outstanding at February 28, 2011:

Number outstanding	Number vested and exercisable	Exercise price	Expiry date	Weighted average remaining contractual life
		\$		
1,675,500	1,675,500	0.50	August 4, 2014	3.5 years
225,000	225,000	1.50	December 1, 2014	3.8 years
566,666	377,333	1.50	January 25, 2015	3.9 years
1,400,000	733,333	1.85	May 13, 2015	4.2 years
200,000	66,667	1.85	June 21, 2015	4.3 years
200,000	66,667	1.85	July 12, 2015	4.4 years
925,000	308,333	1.73	September 23, 2015	4.6 years
50,000	16,667	1.85	October 19, 2015	4.6 years
250,000	-	1.49	November 16, 2015	4.7 years
5,492,166	3,469,500	1.22		4.0 years

# Lithium Americas Corp.

## Notes to the consolidated financial statements

February 28, 2011 and 2010

(In Canadian dollars, except where otherwise noted)

### 6. Issued capital, warrants and share options (continued)

#### *Share options (continued)*

Subsequent to year end 25,000 share options with an exercise price of \$1.50 were exercised for proceeds of \$37,500.

Share options granted carry no rights to dividends and no voting rights.

A summary of the changes in share options during the year are set out below:

	Number	Weighted average exercise price \$
Balance at April 28, 2009	-	-
Issued	3,450,000	0.82
Balance as at February 28, 2010	3,450,000	0.82
Granted	3,025,000	1.78
Exercised	(982,834)	0.51
Balance as at February 28, 2011	5,492,166	1.35

During the year ended February 28, 2011, the Company granted 1,400,000 share options to directors at an exercise price of \$1.85 with an expiry date of May 13, 2015; 200,000 share options to a director at an exercise price of \$1.85 expiring June 21, 2015; 200,000 share options to a director at an exercise price of \$1.85 expiring July 12, 2015; 925,000 share options to directors, officers and a consultant at an exercise price of \$1.73 expiring September 23, 2015; 50,000 share options to a director at an exercise price of \$1.85 expiring October 19, 2015; and 250,000 share options to an officer at an exercise price of \$1.49 expiring November 16, 2015.

Share options granted prior to January 25, 2010 vested completely upon grant. Share options granted subsequent to January 25, 2010 vest in 3 equal tranches, with the first tranche vesting immediately, the second tranche vesting twelve months from the date of grant, and the third tranche vesting twenty-four months from the date of grant. Share options granted that expire on November 16, 2015 vest in 3 equal tranches, with the first tranche vesting 6 months from the date of grant, and the remaining tranches vesting twelve and twenty-four months from the date of grant.

The fair value of share options granted during the year was determined by using the Black Scholes option-pricing model. Assumptions used as are follows: risk-free interest rate of 1.32% - 2.51% (2010 - 1.09% - 1.2%) determined using the 1-3 and 3-5 year Government of Canada bond rate; volatility of 100% - 140% (2010 - 154% - 295%) determined by comparison to a peer group of Canadian junior venture exchange (TSX-V) companies for up to three years preceding the issuance; and, expected lives of 1 - 3.5 years (2010 - 1 year) determined on anticipated behavior relative to anticipated market conditions.

The weighted average fair value of options granted during the year was \$1.11 (2010 - \$0.54).

Share options are expensed or capitalized to property rights and exploration costs according to the recipient and respective vesting periods and credited to the share-based payment reserve. For the year ended February 28, 2011 \$2,656,274 (2010 - \$1,037,820) was expensed and \$166,928 (2010 - 308,870) was capitalized to property rights and exploration costs.

#### *Effect on diluted earnings per share*

Warrants and share options have an anti-dilutive effect on the diluted loss per share disclosed in the consolidated income statement and therefore were not included in the diluted earnings per share calculation.

# Lithium Americas Corp.

## Notes to the consolidated financial statements

February 28, 2011 and 2010

(In Canadian dollars, except where otherwise noted)

### 7. Property, plant and equipment

	Office furniture	Geological and communications equipment	Vehicles	Total
	\$	\$	\$	\$
<b>Cost</b>				
Balance as at February 28, 2010	2,210	184,814	215,949	402,973
Additions	9,187	529,562	262,496	801,245
Disposals	-	-	(50,190)	(50,190)
Effect of foreign exchange differences	(503)	(60,211)	(42,568)	(103,282)
<b>Balance as at February 28, 2011</b>	<b>10,894</b>	<b>654,165</b>	<b>385,687</b>	<b>1,050,746</b>
<b>Accumulated depreciation</b>				
Balance as at February 28, 2010	(184)	(15,525)	(13,014)	(28,723)
Depreciation expense	(1,384)	(172,977)	(113,999)	(288,360)
Effect of foreign exchange differences	39	11,534	9,048	20,621
<b>Balance as at February 28, 2011</b>	<b>(1,529)</b>	<b>(176,968)</b>	<b>(117,965)</b>	<b>(296,462)</b>
<b>Carrying amount as at February 28, 2011</b>	<b>9,365</b>	<b>477,197</b>	<b>267,722</b>	<b>754,284</b>
<b>Cost</b>				
Balance as at April 28, 2009	-	-	-	-
Additions	2,210	194,610	227,539	424,359
Effect of foreign exchange differences	-	(9,796)	(11,590)	(21,386)
<b>Balance as at February 28, 2010</b>	<b>2,210</b>	<b>184,814</b>	<b>215,949</b>	<b>402,973</b>
<b>Accumulated depreciation</b>				
Balance as at April 28, 2009	-	-	-	-
Depreciation expense	(184)	(16,354)	(13,711)	(30,249)
Effect of foreign exchange differences	-	829	697	1,526
<b>Balance as at February 28, 2010</b>	<b>(184)</b>	<b>(15,525)</b>	<b>(13,014)</b>	<b>(28,723)</b>
<b>Carrying amount as at February 28, 2010</b>	<b>2,026</b>	<b>169,289</b>	<b>202,935</b>	<b>374,250</b>

The following useful lives were determined:

Office furniture	10 years
Geological and communications equipment	3 years
Vehicles	3 years

During the year ended February 28, 2011 the Company realized a loss on disposal of vehicles of \$1,805 (2010 - \$nil).

# Lithium Americas Corp.

## Notes to the consolidated financial statements

February 28, 2011 and 2010

(In Canadian dollars, except where otherwise noted)

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### 8. Income taxes

The following table reconciles the income tax expense to the statutory federal/Ontario tax rate of 31% for 2011 (2010 - 33%):

	2011		2010	
	\$	%	\$	%
Consolidated loss before taxes	<b>5,791,842</b>		2,555,259	
Tax benefit at statutory rate	<b>1,795,471</b>	<b>31.0</b>	843,235	33.0
Non-deductible expenses	<b>(823,445)</b>	<b>(14.2)</b>	(342,480)	(13.4)
Benefits of unrecognized loss carry forward	<b>(972,026)</b>	<b>(16.8)</b>	(571,095)	(22.3)
Tax recovery (expense) for the year	-	-	(70,340)	(2.8)

The Company has a Canadian tax loss of \$4,759,000 (2010 - \$1,570,000) that expires in 2030, and other deductible temporary differences of \$4,041,000 (2010 - \$2,650,000), the benefits of which have not been recognized in the consolidated financial statements.

The tax expense of \$nil (2010 - \$70,340) is an Argentinean asset tax.

# Lithium Americas Corp.

Notes to the consolidated financial statements

February 28, 2011 and 2010

(In Canadian dollars, except where otherwise noted)

## 9. Property rights and exploration costs

	2011		
	Property rights	Exploration	Total
	\$	\$	\$
Balance as at February 28, 2010	2,874,532	7,014,757	9,889,289
Additions by way of the following consideration:			
Cash and note payable	1,379,296	19,283,036	20,662,332
Options issued (Note 6)	-	166,928	166,928
Total additions to February 28, 2011	1,379,296	19,449,964	20,829,260
Effect of foreign currency exchange differences	(473,748)	(1,854,699)	(2,328,447)
Balance February 28, 2011	3,780,080	24,610,022	28,390,102
			2010
	Property rights	Exploration	Total
	\$	\$	\$
Balance as at April 28, 2009	-	-	-
Additions by way of the following consideration:			
Cash and note payable	1,831,812	6,985,328	8,817,140
Shares issued	1,197,000	-	1,197,000
Options issued (Note 6)	-	308,870	308,870
Total additions as at February 28, 2010	3,028,812	7,294,198	10,323,010
Effect of foreign currency exchange differences	(154,280)	(279,441)	(433,721)
Balance February 28, 2010	2,874,532	7,014,757	9,889,289

# Lithium Americas Corp.

## Notes to the consolidated financial statements

February 28, 2011 and 2010

(In Canadian dollars, except where otherwise noted)

### 9. Property rights and exploration costs (continued)

In an arms-length transaction in June 2009, the Company acquired sub-surface brine salt rights on properties in the Argentinean Puna area for a purchase price of 3,000,000 shares of the Company valued at \$315,000.

In an arms-length transaction in July of 2009, the Company acquired additional contiguous property rights from Latin American Minerals Inc. for 8,400,000 shares of the Company valued at \$882,000 and a note payable of \$1,000,000 which was paid as of February 28, 2010.

### 10. Other assets

	2011	2010
	\$	\$
Accounts receivable	15,849	12,285
Goods and service tax receivable	-	66,573
Deposits and prepaid expenses	92,191	159,033
<b>Total other assets</b>	<b>108,040</b>	<b>237,891</b>

### 11. Related party transactions

During the period ended February 28, 2010 the Company acquired mineral properties rights from Latin American Minerals Inc. ("LAT") in exchange for 8,400,000 common shares representing 17% of the Company's common shares outstanding at February 28, 2010, creating a related party relationship with LAT subsequent to that transaction. The Company also shared resources with LAT and paid a management fee to LAT to cover its proportionate share of expenses. These transactions were in the ordinary course of business and the amounts were mutually agreed upon between the parties. LAT ceased to be a related party subsequent to November 30, 2010. For the period LAT was considered a related party, the Company paid \$74,217 (2010 - \$10,700) to LAT for shared facilities and administrative staff.

Cash in the amount of \$440,150 (2010 - \$388,500) plus 237,918 (2010 - 1,771,623) broker warrants with various terms and expiry dates were paid to PowerOne Capital Market Limited ("PowerOne") during the year ended February 28, 2011 as consideration for registered exempt market dealer services in connection with the Company's raisings of funds. One current and one former director of the Company are employees of PowerOne.

During the year ended February 28, 2010 the Company paid \$741,182 to Gowling Lafleur Henderson LLP ("Gowling") a legal firm of which the former Chairman of the Company is a partner. The Chairman resigned on February 25, 2010. The services provided were for normal-course legal advice and services and work done in conjunction with various raisings of capital. The amount outstanding at February 28, 2010 of \$40,000 was due on a short-term basis and was non-interest bearing. Gowling ceased to be a related party subsequent to February 28, 2010.

During the year ended February 28, 2011, the Company employed a construction company, Magna Construcciones, related to a director of the Company. The company was contracted for \$1,962,839 during the year (2010 - \$639,898) of which \$144,159 was included in due to related parties (2010 - \$120,250). These transactions were in the normal course of business and were measured at the exchange amount established and agreed to by the related parties. Due to related parties as at February 28, 2010 has been reclassified to include \$120,250 previously classified as accounts payable and accrued liabilities.

As at February 28, 2011, the Company owed \$nil to LAT (2010 - \$89,537) for expenses incurred by LAT relating to the Cauchari Lithium Project. This amount has no fixed repayment terms and is non-interest bearing.

# Lithium Americas Corp.

## Notes to the consolidated financial statements

February 28, 2011 and 2010

(In Canadian dollars, except where otherwise noted)

### 11. Related party transactions (continued)

The Chief Executive Officer and director of the Company, was paid \$344,749 (2010 - \$316,743) in cash compensation and \$526,678 (2010 - \$90,000) in share based compensation.

The Chief Financial Officers of the Company received \$130,386 (2010 - \$31,500) in cash compensation and \$123,661 (2010 - \$59,967) in share based compensation.

#### *Due to related parties*

	2011	2010
	\$	\$
Magna Construcciones	144,159	120,250
Due to management and directors	229,545	459
LAT Argentina	-	89,537
Gowlings Lafleur and Henderson	-	40,000
<b>Total due to related parties</b>	<b>373,704</b>	<b>250,246</b>

Due to related parties as at February 28, 2010 has been restated to include \$120,250 previously classified as accounts payable and accrued liabilities.

#### *Compensation of key management personnel*

	2011	2010
	\$	\$
Short-term benefits	665,025	348,244
Share-based payments	2,216,934	934,523
Share-based payment for employee benefits	-	90,000
<b>Total compensation of key management personnel</b>	<b>2,881,959</b>	<b>1,372,767</b>

### 12. Commitments for expenditure

(In US dollars)			2011	2010
	Not later than 1 year	Later than 1 year and not later than 5 years	Total	Total
	\$	\$	\$	\$
Commitments for:				
Maintenance and acquisition of property rights	1,535,000	1,535,000	3,070,000	3,351,280
<b>Total commitments for expenditure</b>	<b>1,535,000</b>	<b>1,535,000</b>	<b>3,070,000</b>	<b>3,351,280</b>

To maintain the rights to mine the brine materials of the properties in Argentinean Puna area the Company was required to make an investment of no less than US\$6million (Cdn\$5,828,400) to prospect the mining project in the five year period ending May 31, 2014, which has been fulfilled. Refer to note 9.

#### *Commitments contingent on future events*

The following commitments are contingent on future events and are not disclosed in the table above:

A further payment of US\$300,000 (Cdn\$291,420) is contingent upon production commencement.

# Lithium Americas Corp.

## Notes to the consolidated financial statements

February 28, 2011 and 2010

(In Canadian dollars, except where otherwise noted)

### 12. Commitments for expenditure (continued)

In addition, the original vendor of the property is entitled to 3% of the net profit of the mining profits from production on the property which right may be bought out by the Company by the payment of US\$7,000,000 (Cdn\$6,799,800) at any time.

### 13. Non-cash transactions

During the period, the Company entered into the following non-cash investing and financing activities which are not reflected in the statement of cash flows:

- The capitalization of share-based payment amounts to the mineral rights for exploration to the amount of \$166,928 (2010 - \$308,870). Refer to notes 6 and 9.
- The acquisition of mineral rights for exploration of properties by the issue of share capital with an aggregate fair value of \$nil (2010 - \$1,197,000). Refer to notes 6 and 9.
- The Company acquired property rights partially financed by a notes payable of \$nil (2010 - \$1,000,000). Refer to note 9.

### 14. Subsidiaries

At February 28, 2011 and 2010 the Company had a 100% ownership in its subsidiary, Minera Exar S.A. The subsidiary is incorporated in Argentina and its principal activity is exploration of mineral properties.

At February 28, 2011 the Company also had a 100% ownership in its subsidiary, 2665866 Ontario Inc. The subsidiary is incorporated in Ontario and was inactive at February 28, 2011.

### 15. Risk management

#### *Capital risk management*

The Company defines capital as total equity. The Company manages its capital to ensure that funds are available or are scheduled to be raised to provide adequate funds to carry out the Company's defined exploration programs and to meet its ongoing administrative costs.

This is achieved by the Board of Directors' review and acceptance of exploration budgets that are achievable within existing resources and the timely matching and release of the next stage of expenditures with the resources made available from private placements or other fund raisings.

The Company is not subject to any externally imposed capital requirements.

#### *Liquidity risk management*

The Company manages liquidity risk by maintaining adequate cash balances and in accordance with the capital management policy. Management continuously monitors forecasts and actual cash flows. The following table has been drawn up based on the undiscounted cash flow of financial liabilities based on the earliest date on which the Company could be required to pay:

#### *Liquidity risk management table*

				2011	2010
	Less than 1 month	1-3 months	3 months to 1 year	Total	Total
	\$	\$	\$	\$	\$
Accounts payable					
accrued liabilities	-	1,048,326	-	1,048,326	1,353,382
Due to related parties	54,081	319,623	-	373,704	250,246
	54,081	1,367,949	-	1,422,030	1,603,628

None of the financial liabilities included in the table above is interest bearing. Refer to note 12 for additional liquidity risk for the Company, based on expected cash flows relating to commitments.

# Lithium Americas Corp.

## Notes to the consolidated financial statements

February 28, 2011 and 2010

(In Canadian dollars, except where otherwise noted)

### 15. Risk management (continued)

#### *Foreign currency risk management*

Cash and cash equivalents comprise cash at banks and on hand, and short term money market instruments with an original maturity of three months or less, which are readily convertible into a known amount of cash. As at February 28, 2011 the cash and cash equivalents balance was \$25,801,450 (2010 - \$9,064,023). The majority of the increase during the year was a result of the Company completing its IPO. The Company's cash and cash equivalents are denominated in the following currencies:

	2011	2010
	\$	\$
Denominated in Canadian dollars	25,179,074	8,106,282
Denominated in US dollars	92,386	639,162
Denominated in Argentine pesos	529,990	318,579
<b>Cash and cash equivalents</b>	<b>25,801,450</b>	<b>9,064,023</b>

The Company undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed by maintaining low levels of foreign currencies and related obligations. The carrying amount of the Company's foreign currency denominated assets and monetary liabilities at February 28, 2011, in Canadian dollars is:

	2011		2010	
	Assets	Liabilities	Assets	Liabilities
	\$	\$	\$	\$
Argentine pesos	545,839	709,441	330,551	1,180,526
United States of America dollars	92,386	162,025	639,162	42,626

Based on the above balances, had the Canadian Dollar strengthened/weakened by 5% against the Argentine peso, the Company's equity would have been \$8,180 higher/lower. If the Canadian Dollar strengthened/weakened by 5% against the United States of America dollar, the Company's equity would have been \$3,482 higher/lower.

#### *Interest rate risk management*

The Company's overall exposure to the risk of changes in market interest rates relates primarily to its bank balances. At present rates, the impact on interest income is minimal.

#### *Credit risk management*

The Company's main credit risk arises from its cash deposit with banks. The Company limits its counterparty credit risk on its deposits by dealing only with financial institutions with extremely high credit ratings. The Company is also exposed to credit risk on other assets. Refer to note 16 for maximum exposure on these balances.

# Lithium Americas Corp.

## Notes to the consolidated financial statements

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### 16. Categories of financial instruments

	2011	2010
	Carrying amount	Carrying amount
	\$	\$
Financial assets		
Loans and receivables		
Cash and cash equivalents	25,801,450	9,064,023
Accounts receivable	15,849	12,285
Financial liabilities		
Amortized cost		
Accounts payable and accrued liabilities	1,048,326	1,353,382
Due to related parties	373,704	250,246

The carrying amount of each of the financial instruments represents the fair value thereof, because these are of a short-term nature.

### 17. Supplemental cash flow information

During the year ended February 28, 2011 the Company made cash payments for Argentina income taxes of \$nil (2010 - \$70,340) which are potentially recoverable.

During the year ended February 28, 2011 the Company received cash interest receipts of \$192,678 (2010 - \$558) and made nil cash interest payments (2010 - nil).

### 18. Subsequent events

Subsequent to February 28, 2011, 1,050,000 warrants with an exercise price of \$0.15, 1,200,000 warrants with an exercise price of \$0.50, 383,747 warrants with an exercise price of \$1.50, and 50,000 warrants with an exercise price of \$2.00 were exercised for proceeds of \$1,433,121 and 25,000 share options with an exercise price of \$1.50 were exercised for proceeds of \$37,500. Refer to note 6.