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# **WESTERN LITHIUM BUSINESS**

FINANCIAL STATEMENTS  
FOR THE NINE MONTHS ENDED JUNE 30, 2008

*(Expressed in Canadian Dollars)*

*(Unaudited – Prepared by Management)*

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**MANAGEMENT'S COMMENTS ON UNAUDITED  
INTERIM FINANCIAL STATEMENTS**

The accompanying unaudited interim financial statements of Western Lithium Business for the nine months ended June 30, 2008 have been prepared by management and are the responsibility of the Company's management. These statements have not been reviewed by the Company's external auditors.

**WESTERN LITHIUM BUSINESS**  
**BALANCE SHEETS**  
(Unaudited – Prepared by Management)  
(Expressed in Canadian Dollars)

	<b>June 30, 2008</b>	<b>September 30, 2007</b>
<b>A S S E T S</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 5,676	\$ -
<b>MINERAL PROPERTY AND DEFERRED COSTS</b> (Note 5)	2,287,684	218,882
	\$ 2,293,360	\$ 218,882
<b>L I A B I L I T I E S</b>		
<b>ACCOUNTS PAYABLE</b>	\$ 138,060	\$ -
<b>LOAN PAYABLE TO WESTERN URANIUM CORPORATION</b> (Note 4)	2,152,832	-
<b>MINERAL PROPERTY ADVANCES PAYABLE TO WESTERN URANIUM CORPORATION</b> (Note 6)	146,981	218,882
	2,437,873	218,882
<b>S H A R E H O L D E R ' S E Q U I T Y</b>		
<b>SHARE CAPITAL</b> (Note 8)	1	-
<b>CONTRIBUTION FROM WESTERN URANIUM CORPORATION</b> (Note 7)	703,571	63,038
<b>DEFICIT</b>	(848,085)	(63,038)
	(144,513)	-
	\$ 2,293,360	\$ 218,882

**Transfer of assets and going concern** (Note 1)  
**Nature of operations** (Note 2)  
**Commitments** (Note 5)  
**Subsequent events** (Note 10)

**On behalf of the Board:**

*“Pamela Klessig”*
Director
*“Edward Flood”*
Director

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

**WESTERN LITHIUM BUSINESS**  
**STATEMENT OF OPERATIONS AND DEFICIT**  
(Unaudited – Prepared by Management)  
(Expressed in Canadian Dollars)

	<b>Three Months Ended June 30, 2008</b>	<b>Nine Months Ended June 30, 2008</b>
<b>EXPENSES</b>		
Amortization	\$ 870	\$ 2,667
Audit and accounting	17,948	52,144
Consulting fees	11,241	34,895
Corporate development	15,119	15,119
Foreign exchange	90,701	90,232
Interest expense	26,345	54,282
Investor relations	6,424	19,940
Legal fees	25,765	52,657
Office and miscellaneous	9,890	38,622
Property investigation	630	1,297
Regulatory and filing fees	13,820	25,276
Rent	5,665	17,281
Stock-based compensation	55,686	256,827
Telephone	1,089	7,987
Travel	3,890	20,344
Wages and benefits	<u>28,992</u>	<u>95,477</u>
<b>NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD</b>	(314,075)	(785,047)
<b>DEFICIT – BEGINNING OF PERIOD</b>	<u>(534,010)</u>	<u>(63,038)</u>
<b>DEFICIT – END OF PERIOD</b>	\$ (848,085)	\$ (848,085)

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

**WESTERN LITHIUM BUSINESS**  
**STATEMENT OF CASH FLOWS**  
(Unaudited – Prepared by Management)  
(Expressed in Canadian Dollars)

	<b>Three Months Ended June 30, 2008</b>	<b>Nine Months Ended June 30, 2008</b>
<b>CASH FLOWS FROM (APPLIED TO) OPERATING ACTIVITIES</b>		
Loss for the period <sup>(1)</sup>	\$ (314,075)	\$ (785,047)
Changes in non-cash working capital items and items not affecting cash:		
(Decrease)/increase in accounts payable	(65,417)	138,060
Stock-based compensation	<u>55,686</u>	<u>256,827</u>
Net cash used (applied to) in operating activities	<u>(323,806)</u>	<u>(390,160)</u>
<b>CASH FLOWS FROM (APPLIED TO) INVESTING ACTIVITIES</b>		
Acquisition of mineral properties and deferred costs	<u>(679,546)</u>	<u>(2,068,802)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Share issuance to Western Uranium Corporation <sup>(1)</sup>	-	1
Change in mineral property advances to Western Uranium Corporation	111,175	(71,901)
Loan from Western Uranium Corporation	153,433	2,152,832
Funding provided by Western Uranium Corporation <sup>(1)</sup>	<u>113,406</u>	<u>383,706</u>
Net cash provided by financing activities	<u>378,014</u>	<u>2,464,638</u>
<b>CHANGE IN CASH DURING THE PERIOD</b>	<b>(625,338)</b>	<b>5,676</b>
<b>CASH – BEGINNING OF PERIOD</b>	<u>631,014</u>	<u>-</u>
<b>CASH– END OF PERIOD</b>	<b>\$ 5,676</b>	<b>\$ 5,676</b>

<sup>(1)</sup>Non-cash items that have been provided by Western Uranium Corporation as funding sources and uses of cash of the Western Lithium Business.

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

**WESTERN LITHIUM BUSINESS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED JUNE 30, 2008**  
**(Unaudited – Prepared by Management)**  
(Expressed in Canadian Dollars)

**1. TRANSFER OF ASSETS AND GOING CONCERN**

Western Uranium Corporation (“Western Uranium”) announced the proposed spin-out of the lithium resources located on Western Uranium’s Kings Valley Property, into a wholly owned subsidiary of the Company (“Western Lithium Canada Corporation” or “Western Lithium”), which was incorporated on November 27, 2007 under Business Corporations Act of the Province of British Columbia. Upon conclusion of the transaction, Western Lithium will be approximately 30% owned by Western Uranium and 70% owned by the existing Western Uranium shareholders. The transaction is expected to close in July 2008. Application will also be made to list the shares of Western Lithium on the TSX Venture Exchange. See note 10.

Western Lithium Business’ (the “Business”) financial statements reflect the consolidated financial position, statements of operations and deficit and cash flows of the related lithium exploration business of Western Uranium and Western Lithium Canada Corporation. The statement of operations and deficit for the nine months ended June 30, 2008, includes an allocation of Western Uranium’s general and administrative expenses incurred during the same period. The allocation of general and administrative expenses was calculated on the basis of the ratio of expenditures incurred on the lithium property located on Western Uranium’s Kings Valley Property as compared to the expenditures incurred on all of Western Uranium’s properties during the period. The financial statements have been prepared under the continuity of interests basis of accounting with balance sheet amounts based on the amounts recorded by Western Uranium. Management cautions readers of these financial statements, that the allocation of expenses does not necessarily reflect future general and administrative expenses.

While these financial statements have been prepared on a going concern basis which assumes the realization of assets and liquidation of liabilities in the normal course of business, there are conditions that cast significant doubt on the validity of this assumption. The Business has negative working capital. The Business’s ability to continue as a going concern is dependant on continued support from Western Uranium (note 4), the ability of the Business to raise equity financing and the attainment of profitable operations. If the use of going concern assumption was not appropriate, the changes to these financial statements would be material.

**2. NATURE OF OPERATIONS**

The Business is engaged in the exploration and development of lithium in Nevada. Management considers the Business to be an exploration stage business.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration and development programs will result in profitable mining operations. The recoverability of amounts shown for mineral properties is dependant upon the discovery of economically recoverable reserves, receipt of necessary permits and regulatory approvals, the ability of the Business to obtain financing to complete their developments and future profitable operations or sale of the properties. The investment in and expenditures on mineral properties comprise a significant portion of the Business’ assets.

**WESTERN LITHIUM BUSINESS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED JUNE 30, 2008**  
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**3. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES**

*Basis of Presentation*

These interim period financial statements have been prepared by the Business in accordance with Canadian generally accepted accounting principles. All financial summaries included are presented on a comparative and consistent basis showing the figures for the preceding period. The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of annual financial statements. Certain information and footnote disclosure normally included in financial statements prepared in accordance with generally accepted accounting principles has been condensed or omitted. These interim period statements should be read together with the September 30, 2007 audited financial statements and the accompanying notes. In the opinion of the Company, its unaudited interim consolidated financial statements contain all adjustments necessary in order to present a fair statement of the results of the interim period presented.

*New accounting policies and standards*

*Capital Disclosures and Financial Instruments – Disclosures and Presentation*

Effective October 1, 2007, the Business adopted three new presentation and disclosure standards that were issued by the Canadian Institute of Chartered Accountants: Handbook Section 1535, Capital Disclosures (“Section 1535”), Handbook Section 3862, Financial Instruments – Disclosures (“Section 3862”) and Handbook Section 3863, Financial Instruments – Presentation (“Section 3863”).

Section 1535 requires the disclosure of both quantitative and qualitative information that enables users of financial statements to evaluate (i) an entity’s objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments – Disclosure and Presentation, revising and enhancing its disclosure requirements and carrying forward unchanged its presentation requirements for financial instruments. Sections 3862 and 3863 place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

*Credit risk*

Financial instruments that potentially subject the Business to a significant concentration of credit risk consist primarily of cash. The Company limits its exposure to credit loss by placing its cash with major financial institutions.

*Interest rate risk*

The Business is exposed to interest rate risk to the extent that the cash maintained at the financial institutions is subject to a floating rate of interest. The interest rate risks on cash and on the Business’ obligations are not considered significant.

*Fair Value*

The recorded value of the Business’ financial assets and liabilities approximate their fair values due to their demand nature and their short term to maturity.

**WESTERN LITHIUM BUSINESS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED JUNE 30, 2008**  
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**3. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (continued)**

*Capital Risk Management*

The Business manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through a suitable debt and equity balance appropriate for an entity of the Business' size and status. The Business' overall strategy remains unchanged from 2007.

The capital structure of the Business consists of equity attributable to common shareholders, comprised of issued capital, contribution from Western Uranium and deficit.

*Issued but not adopted primary sources of GAAP*

*International Financial Reporting Standards (“IFRS”)*

In 2006, the Canadian Accounting Standards Board (“AcSB”) published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Business for the year ended September 30, 2011. While the Business has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

**4. LOAN PAYABLE TO WESTERN URANIUM CORPORATION**

The Business entered into a loan agreement (the “Loan”) with Western Uranium and received \$2,098,550. The Loan bears interest of 5% per annum. As security for the Loan, the Business issued a promissory note to Western Uranium. The Business incurred interest expense of \$54,282 during the nine month period ended June 30, 2008 on the loan amount.

**5. MINERAL PROPERTY AND DEFERRED COSTS**

<b>For the nine months ended June 30, 2008</b>	<b>Kings Valley Property - Lithium</b>
<b>Acquisition costs</b>	
Balance, beginning of period	\$ 14,799
Additions	<u>25,899</u>
Balance, end of period	<u>40,698</u>
<b>Deferred exploration costs incurred during the period:</b>	
Drilling	1,185,938
Geological and consulting	597,870
Mapping, supplies and other	128,709
Sampling	119,911
Transportation and travel	<u>10,475</u>
Total deferred exploration costs	2,042,903
Balance, beginning of period	<u>204,083</u>
Balance, end of period	<u>2,246,986</u>
<b>Total mineral property costs</b>	<b>\$ 2,287,684</b>

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**5. MINERAL PROPERTY AND DEFERRED COSTS (continued)**

<b>For the year ended September 30, 2007</b>	<b>Kings Valley Property - Lithium</b>
<b>Acquisition costs</b>	
Balance, beginning of year	\$ -
Additions	<u>14,799</u>
Balance, end of year	<u>14,799</u>
<b>Deferred exploration costs incurred during the year:</b>	
Drilling	89,369
Geological and consulting	74,520
Mapping, supplies and other	38,885
Transportation and travel	<u>1,309</u>
Total deferred exploration costs	204,083
Balance, beginning of year	<u>-</u>
Balance, end of year	<u>204,083</u>
<b>Total mineral property costs</b>	<b>\$ 218,882</b>

**Kings Valley Property, Nevada, USA**

The Business entered into a mining lease and option to purchase agreement (the “Lease Agreement”) with Western Uranium, through their subsidiaries, Western Lithium USA (100% owned by Western Lithium Canada Corporation) and Western Energy Development Corporation (100% owned by Western Uranium), pursuant to which Western Uranium granted to the Business the exclusive right to explore for lithium bearing minerals and clay on the Kings Valley Property (the “Exploration Right”).

The Lease Agreement has a term of 30 years that is renewable subject to Western Lithium fulfilling terms required under the lease agreements. In consideration for the Exploration Right, the Business must pay to Western Uranium US\$25,000 (paid), US\$50,000 on the first anniversary of the effective date of the Lease Agreement, US\$75,000 on each of the second through fourth anniversaries of the effective date of the Lease Agreement, US\$100,000 on each of the fifth through tenth anniversaries of the effective date of the Lease Agreement, US\$150,000 on each of the eleventh through twentieth anniversaries of the effective date of the Lease Agreement and US\$200,000 on each of the twenty-first through thirtieth anniversaries of the effective date of the Lease Agreement, for total payments of US\$4,400,000. These payments are applied against any royalty payments. The Business has agreed to pay to Western Uranium a Net Smelter Returns Royalty of 1.5% and a Net Profits Royalty equal to 3.5%.

**6. MINERAL PROPERTY ADVANCES PAYABLE TO WESTERN URANIUM CORPORATION**

The amounts due to Western Uranium Corporation are non-interest bearing and have no specific terms of repayment, accordingly, their fair value can not be readily determined.

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**7. CONTRIBUTION FROM WESTERN URANIUM CORPORATION**

Balance as at September 30, 2007	\$	63,038
Funding provided by Western Uranium during the nine months ended June 30, 2008		<u>640,533</u>
Balance as at June 30, 2008	\$	703,571

**8. SHARE CAPITAL**

Upon incorporation on November 27, 2007, the Business issued 1 share for \$1 to Western Uranium. See note 10.

**Stock options**

The Company has a stock option plan in accordance with the policies on the TSX Venture Exchange whereby, from time to time at the discretion of the board of directors, stock options are granted to directors, officers and certain consultants. Under the plan up to 10,200,000 common shares are reserved for the issuance of stock options. The exercise price of each option is based on the market price of the Company's common stock at the date of the grant less an applicable discount. The options can be granted for a maximum term of 5 years.

During the period ended June 30, 2008, the Company granted a total of 3,180,000 incentive stock options to directors, officers and consultants to acquire 3,180,000 common shares at \$0.50 per share, for a period of five years. Stock options granted are subject to vesting period: 25% vest on the date of the grant and 25% vest every six months for a period of eighteen months from the grant date. The stock options granted are subject to the completion of the Arrangement (note 10).

**Warrants**

As part of the spin-out transaction from Western Uranium Corporation the Company issued 931,040 warrants at an exercise price \$3.18 and expiring on August 29, 2008.

**9. SEGMENTED INFORMATION**

The Business operates in one business segment, being the acquisition and exploration of mineral properties. The Business is in the exploration stage and, accordingly, has no reportable segment revenues or operating results for nine months ended June 30, 2008. Substantially all assets of the Business are located in the United States, as set out in Note 5.

**WESTERN LITHIUM BUSINESS**  
**NOTES TO FINANCIAL STATEMENTS**  
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**10. SUBSEQUENT EVENTS**

Subsequent to June 30, 2008, the Business:

- a) Completed a brokered private placement (the "Private Placement") of 16,220,000 common shares at a price of \$0.50 per share for gross proceeds of \$8,110,000. Haywood Securities Inc. acted as the agent for the offering and received a cash commission of \$283,850 and a financial services fee of \$25,000 plus GST. All securities issued pursuant to the Private Placement will be subject to a four month hold period from the date the common shares of Western Lithium are posted for trading on the TSX Venture Exchange.
  
- b) Announced that the common shares of Western Lithium will be listed and posted for trading on the TSX Venture Exchange at the start of business on Wednesday, July 16, 2008. The listing and posting for trading of the Western Lithium shares is the final condition for the statutory plan of arrangement between the Company and its wholly-owned subsidiary Western Lithium (the "Arrangement"). Accordingly, as of the start of trading on July 16, 2008, the Arrangement was officially closed. Pursuant to the Arrangement, the Company's shareholders of record as of June 19, 2008 received one Western Lithium share for every three Company's shares held. As a result of the Arrangement the Company issued a total of 35,000,000 shares of which Western Uranium acquired 15,209,393 common shares of the Company which represent approximately 29.7% of the issued and outstanding shares.