
WESTERN LITHIUM BUSINESS

FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED DECEMBER 31, 2007

(Expressed in Canadian Dollars)

(Unaudited)

May 16, 2008

Audit Committee
Western Lithium Business

Dear Sirs / Mesdames:

In accordance with our engagement letter dated April 1, 2008, we have reviewed the balance sheet of Western Lithium Business as at December 31, 2007, the statements of loss and deficit, and cash flows for the three-month period then ended. These financial statements are the responsibility of the business's management.

We performed our review in accordance with Canadian generally accepted standards for a review of interim financial statements by an entity's auditor. Such an interim review consists principally of applying analytical procedures to financial data, and making enquiries of and having discussions with persons responsible for financial and accounting matters. An interim review is substantially less in scope than an audit, whose objective is the expression of an opinion regarding the financial statements; accordingly, we do not express such an opinion. An interim review does not provide assurance that we would become aware of any or all significant matters that might be identified in an audit.

Based on our review, we are not aware of any material modification that needs to be made for these interim financial statements to be in accordance with Canadian generally accepted accounting principles.

This report is solely for the use of the Audit Committee of Western Lithium Business to assist it in discharging its regulatory obligation to review these financial statements, and should not be used for any other purpose. Any use that a third party makes of this report, or any reliance or decisions made based on it, are the responsibility of such third party. We accept no responsibility for loss or damages, if any, suffered by any third party as a result of decisions made or actions taken based on this report.

Yours very truly,

“MacKay LLP”

MacKay LLP
Chartered Accountants

WESTERN LITHIUM BUSINESS
STATEMENT OF OPERATIONS AND DEFICIT
(Expressed in Canadian Dollars)

	Three Months Ended December 31, 2007
EXPENSES	
Amortization	\$ 649
Audit and accounting	11,147
Consulting fees	8,632
Foreign exchange loss	16,800
Interest expense	2,987
Investor relations	4,933
Legal fees	5,560
Office and miscellaneous	12,155
Property investigation	481
Regulatory and filing fees	229
Rent	4,192
Stock-based compensation	82,509
Telephone	4,140
Travel	3,689
Wages and benefits	<u>19,463</u>
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	(177,566)
DEFICIT – BEGINNING OF PERIOD	<u>(63,038)</u>
DEFICIT – END OF PERIOD	\$ (240,604)

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

WESTERN LITHIUM BUSINESS
STATEMENT OF CASH FLOWS
(Expressed in Canadian Dollars)

	Three Months Ended December 31, 2007
CASH FLOWS FROM (APPLIED TO) OPERATING ACTIVITIES	
Loss for the period ⁽¹⁾	\$ (177,566)
CASH FLOWS FROM (APPLIED TO) INVESTING ACTIVITIES	
Acquisition of mineral properties and deferred costs ⁽¹⁾	(621,190)
CASH FLOWS FROM FINANCING ACTIVITIES	
Share issuance to Western Uranium Corporation ⁽¹⁾	1
Mineral property advances payable to Western Uranium Corporation ⁽¹⁾	621,190
Loan from Western Uranium Corporation	1,999,399
Funding provided by Western Uranium Corporation ⁽¹⁾	160,766
Net cash provided by financing activities	2,781,356
CHANGE IN CASH DURING THE PERIOD	1,982,600
CASH – BEGINNING OF PERIOD	-
CASH– END OF PERIOD	\$ 1,982,600

⁽¹⁾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 THREE MONTHS ENDED DECEMBER 31, 2007
(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 transactions, Western Lithium will be 30% owned by Western Uranium and 70% owned by the existing Western Uranium shareholders. The transaction is expected to close in June 2008. Application will also be made to list the shares of Western Lithium on the TSX Venture Exchange.

The spin-out transaction will be completed pursuant to a plan of arrangement (the “Arrangement”) and will be subject to regulatory approval and approval by not less than two-thirds of the votes cast at a special meeting of the shareholders of Western Uranium that will be called to approve the transaction.

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 Corporation. The statement of operations and deficit for the three months ended December 31, 2007, includes an allocation of Western Uranium’s general and administrative expenses incurred during the same period. The allocation of general and administrative expenses were 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 and no sources of funding other than Western Uranium. 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 THREE MONTHS ENDED DECEMBER 31, 2007
(Expressed in Canadian Dollars)

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.

Section 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. Section 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 THREE MONTHS ENDED DECEMBER 31, 2007
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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 \$1,999,400. 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 \$2,987 during the period ended December 31, 2007 on the borrowed amount.

5. MINERAL PROPERTIES AND DEFERRED COSTS

For the three months ended December 31, 2007	Kings Valley Property - Lithium
Acquisition costs	
Balance, beginning of period	\$ 14,799
Additions	<u>24,563</u>
Balance, end of period	<u>39,362</u>
Deferred exploration costs incurred during the year:	
Drilling	414,617
Geological and consulting	144,179
Mapping, supplies and other	22,893
Sampling	14,880
Transportation and travel	<u>58</u>
Total deferred exploration costs	596,627
Balance, beginning of period	<u>204,083</u>
Balance, end of period	<u>800,710</u>
Total mineral property costs	\$ 840,072

WESTERN LITHIUM BUSINESS
NOTES TO FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED DECEMBER 31, 2007
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5. MINERAL PROPERTIES AND DEFERRED COSTS (continued)

For the year ended September 30, 2007	Kings Valley Property - Lithium
Acquisition costs	
Balance, beginning of year	\$ -
Additions	<u>14,799</u>
Balance, end of year	<u>14,799</u>
Deferred exploration costs incurred during the year:	
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>
Total mineral property costs	\$ 218,882

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. In consideration for the Exploration Right, the Business must pay to Western Uranium US\$25,000 (paid subsequent to December 31, 2007), 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.

WESTERN LITHIUM BUSINESS
NOTES TO FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED DECEMBER 31, 2007
(Expressed in Canadian Dollars)

7. CONTRIBUTION FROM WESTERN URANIUM CORPORATION

Balance as at September 30, 2007	\$	63,038
Funding provided by Western Uranium during the three months ended December 31, 2007		<u>160,766</u>
Balance as at December 31, 2007	\$	223,804

8. SHARE CAPITAL

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

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 three months ended December 31, 2007. Substantially all assets of the Business are located in the United States, as set out in Note 5.

10. SUBSEQUENT EVENTS

Subsequent to December 31, 2007, the Business:

- a) Applied to the TSX – Venture (the “Exchange”) to have the Business shares listed on the Exchange. The spin-out transaction (the “Arrangement”) is subject to approval by the shareholders of Western Uranium, applicable regulatory authorities and the Supreme Court of British Columbia. According to the Arrangement, the Business will subdivide its share capital on a 35,000,000 for one basis such that Western Uranium will hold 35,000,000 common shares in the capital of the Business. Western Uranium will distribute to its Shareholders all but approximately 15,265,639 Shares of the Business it holds by way of “reduction of capital” of Western Uranium. Upon completion of the Arrangement, each holder at the Share Distribution Record Date of Western Uranium Shares will be entitled to receive one Share of the Business for every three Shares of Western Uranium held.
- b) Concurrently with the completion of the Arrangement, the Business intends to complete a brokered and/or non-brokered private placement of up to 12,000,000 Shares at an estimated price of \$0.50 per one Share; provided that the Board of Directors of the Business, in its sole discretion, may revise the terms of the financing, including price and such other terms as it determines appropriate. All issuances of securities pursuant to the Business financing will be subject to, among other things, applicable regulatory approvals.