

WESTERN LITHIUM CANADA CORPORATION MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2009

Background

The following discussion and analysis of financial position and results of operations, prepared as of January 22, 2010, should be read in conjunction with the Company's audited consolidated financial statements for the years ended September 30, 2009 and 2008 and related notes attached thereto. The financial statements are prepared in accordance with Canadian generally accepted accounting principles. All amounts are stated in Canadian dollars unless otherwise indicated.

Forward Looking Statements

Certain of the statements made and information contained herein is "forward-looking information" within the meaning of the Ontario Securities Act. Forward-looking information is subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking information, including, without limitation, risks and uncertainties relating to risks inherent in mining including environmental hazards, industrial accidents, unusual or unexpected geological formations, ground control problems and flooding; risks associated with the estimation of mineral resources and reserves and the geology, grade and continuity of mineral deposits; the possibility that future exploration, development or mining results will not be consistent with the Company's expectations; the potential for and effects of labour disputes or other unanticipated difficulties with or shortages of labour or interruptions in production; actual ore mined varying from estimates of grade, tonnage, dilution and metallurgical and other characteristics; the inherent uncertainty of production and cost estimates and the potential for unexpected costs and expenses, commodity price fluctuations; uncertain political and economic environments; changes in laws or policies, delays or the inability to obtain necessary governmental permits; and other risks and uncertainties, including those described in each management discussion and analysis. Forward-looking information is in addition based on various assumptions including, without limitation, the expectations and beliefs of management, the assumed long term price of lithium; appropriate equipment and sufficient labour and that the political environment where the Company operates will continue to support the development and operation of mining projects. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in the forward-looking information. Accordingly, readers are advised not to place undue reliance on forward-looking information.

Company Overview

Western Lithium Canada Corporation ("Western Lithium" or "WLC") is a Canadian-based resource company focused on the development of a large lithium resource located in northwestern Nevada. The Company was incorporated on November 27, 2007, as a subsidiary of Western Uranium Corporation ("WUC"). Following the completion of the Plan of Arrangement between the two companies on July 16, 2008, Western Lithium ceased to be wholly-owned by WUC and became an independent publicly traded company. The Company trades on the Toronto Venture Exchange under the symbol WLC. The company operates in the United States through its wholly owned subsidiary, Western Lithium Corporation ("Western Lithium USA"). Western Lithium USA has leased a portion of claims on the Kings Valley Project in Nevada from Western Energy Development Corp., a wholly owned US subsidiary of WUC. The lease grants Western Lithium the exclusive rights to explore for, develop, and mine, or otherwise produce any and all lithium mineralization known or discovered on the claims.

Additional information relating to the Company is available on SEDAR at www.sedar.com.

Significant Events

- In October 2008, the Company announced the appointment of Jay Chmelauskas as its new President and Dennis Bryan as Senior Vice President of Development. At the same time, Pamela Klessig resigned as President of Western Lithium Canada Corporation. Ms. Klessig serves as a Director of Western Lithium Canada Corporation.
- In February 2009, the Company engaged Cindy Burnett of Vancouver, British Columbia, to provide investor relations services to the Company. Ms. Burnett is responsible for initiating and overseeing the development of a comprehensive investor relations program for Western Lithium. Effective August 17, 2009, Cindy Burnett was appointed as Vice President of Investor Relations.
- In May 2009, the Company completed a private placement offering of 11,000,000 units (the “Units”), priced at \$0.50 per Unit for gross proceeds of \$5,500,000 (net \$5,183,773). Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase an additional common share for a period of 2 years at an exercise price of \$0.60 per share. In connection with the private placement, the Company paid a cash commission and a corporate finance fee of \$155,000 and issued 310,000 agent’s warrants. In addition, the Company paid a finder’s fee of \$85,000 and issued 170,000 finder’s warrants. Agent’s and finder’s warrants entitle the holder to purchase one common share for a price of \$0.60 for a period of 12 months from the date of closing of the placement. Western Uranium Corporation purchased 3,000,000 Units for which no commission or agent’s warrants was paid or issued.
- In May 2009 the Company engaged URS Corporation (URS), a major engineering firm, to complete initial economic scoping studies at its Kings Valley lithium deposit in Nevada. URS focused on a thermal treatment process for the initial phase of economic studies. The company’s target is to meet production specifications for high quality, low impurity lithium carbonate to sell to major manufacturers of lithium-ion batteries. The company also expects to produce co-products such as potassium sulphate, widely used for agricultural fertilizer, which is anticipated to enhance project economics and competitiveness. URS is a leading global provider of engineering, construction and technical services with more than 50,000 employees in 30 countries. URS complemented work done at metallurgical test facilities located at Kappes, Cassidy & Associates in Reno, and Hazen Laboratories in Denver.
- In October 2009, the company completed a private placement of an aggregate of 17,476,000 units (the “Units”) at a price of \$0.95 per unit for aggregate gross proceeds to the company \$16,602,200 (net \$15,650,681). Each unit is comprised of one common share and one-half of a common share purchase warrant. Each whole warrant will entitle the holder thereof to purchase an additional common share for a period of eighteen months at a price of \$1.25 per warrant, subject to adjustment in certain events. Western Uranium Corporation purchased 1,476,000 units in the private placement. In connection with the private placement, the Company paid to Agents cash commission of \$897,294 and granted 944,520 compensation options. Each compensation option is exercisable to purchase one common share of the Company for a price of \$0.95 for a period of eighteen months, subject to adjustment in certain event. In addition, a finder’s fee totaling \$28,500 was paid in respect of the issue and sale of 750,000 units for which the Agents were not paid in cash commission. All of the securities issued pursuant to the private placement, including share issued upon exercise of the warrants and compensation options, are subject to a four-month hold period expiring on February 15, 2010. Proceeds of the private placement will be used to fund ongoing engineering and development studies for the Company’s lithium project in Nevada, including additional drilling of the lithium deposit to conform to National Instrument 43-101 requirements, and for general corporate purposes.
- In December 2009, the company appointed Silvio Bertolli as Sr. Vice President, Project Development, to guide the company through the next planned stage of engineering and development. Silvio is a chemical engineer with over 37 years of experience in project management, process design and technology development in the chemicals, petrochemicals, mining and oil and gas industries.
- In January 2010, the company announced the results of a National Instrument 43-101 (NI 43-101) compliant Preliminary Assessment and Economic Evaluation (PAEE) on its Kings Valley Lithium Project in Nevada, USA.

Industry

The Company is engaged in the acquisition, exploration, and development of resource properties, an inherently risky business, and there is no assurance that an economic mineral deposit will ever be discovered and subsequently put into production. Most exploration projects do not result in the discovery of economically mineable deposits. The geological focus of the Company is on areas in which the geological setting is understood by management.

Current Market Status

The global financial crisis in 2009 and 2008 has resulted in reduced demand and lower prices for most mineral commodities, but many of the rare metals are notable exceptions, with prices declining to a lesser degree than other mineral commodities. This is attributable to steady demand for these metals due to their importance in a growing number of applications in technology related to energy efficiency, energy storage and renewable energy.

The Company is developing a large lithium deposit in Nevada and intends to produce lithium carbonate. One of the primary uses of lithium today is in lithium-ion batteries for cell phones, laptop computers, and other electronic devices that offer maximum storage capacity with minimum weight. The overall lithium carbonate market is projected to grow significantly over the next decade due to continued growth from the electronics industry, new growth from the hybrid/electric automotive industry. As of date of this report, the Company does not expect that the recent volatility in the capital markets will have a significant impact on its operations.

Company Outlook

Following the positive results of the PAEE, Western Lithium is now planning to proceed with further engineering and pilot plant studies to advance the project to prefeasibility. These studies are expected to be funded from the existing treasury. Western Lithium has approximately \$20.5 million in cash and no debt. The company is in discussions with various major lithium buyers to define product quality specifications, long-term supply requirements and expects to work with these groups through the piloting program.

The Company is positioning itself to become a reliable and scalable, United States based strategic supplier of battery grade lithium carbonate to support the electric/hybrid cars and mobile electronics of the future.

Resource Property

Kings Valley Lithium Project

All costs related to the acquisition, exploration, and development of resource properties are capitalized by property. If economically recoverable reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. When a property is abandoned, all related costs are written off to operations. If, after management review, it is determined that the carrying amount of a resource property is impaired, that property is written down to its estimated net realizable value. A resource property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

The Company's property, Kings Valley Lithium Project, is located in north-western Nevada. Kings Valley property has one of the largest known lithium deposits in the world, based on a historical resource estimate done by Chevron Resources of 11 million tonnes of LCE⁽¹⁾.

The company has announced the results of a National Instrument 43-101 (NI 43-101) compliant Preliminary Assessment and Economic Evaluation (PAEE) on its Kings Valley Lithium Project in Nevada. The NI 43-101 compliant PAEE results for Stage I consider only 8% of the historical near-surface lithium deposit. Successful development of Stage I will allow the company to consider further expansion of production to meet anticipated growth of the lithium-ion battery industry. In December 2009, drilling was completed on the Stage II lithium historical resources and results are expected later in 2010. The company believes that its Nevada property has the potential to become a major USA-based global supplier of high quality lithium carbonate that can economically compete with other global producers of LCE.

Summary of Preliminary Assessment and Economic Evaluation Study

The PAEE, or Scoping Study, is based on the NI 43-101 compliant Stage I lithium resource and supports a nominal production rate of 27,700 tonnes per year of lithium carbonate equivalent (LCE) for approximately 18 years. The proposed production rate compares favourably with the top two global LCE producers, both located in South America that reported production of 32,600 tonnes and 22,500 tonnes of LCE in 2008, respectively. In addition, the study indicates the potential to produce a nominal 115,000 tonnes per year of by-product potassium sulphate (SOP), primarily used as agricultural fertilizer. The proposed project is expected to compete as a low-cost LCE producer with an estimated cash operating cost of US\$1,967 per tonne (US\$0.89/pound) LCE net of SOP by-product credit, under base case economics (cash operating costs estimated to be US\$4,463 per tonne LCE with cash credit of (US\$2,496) per tonne LCE derived from the sale of by-product potassium sulphate). The company notes, however, that no reliance should be placed on its current ability to sell the potassium sulphate by-product, as a result of imprecision in the United States Bureau of Land Management's (BLM) regulatory process for allowing the company's sale of the by-product. The company is proposing to pursue a negotiated contractual or regulatory resolution of this issue with the BLM.

For the Stage I development, the base case economic analysis, using a price of US\$6,614 per tonne of LCE, and a price of US\$600 per tonne of SOP, indicates a pre-tax net present value (NPV) discounted at 8% of US\$714 million. The projected pre-tax internal rate of return (IRR) is 28%. Average revenue for Stage I is estimated at US\$263 million with pre-tax nominal cash flow (EBITDA) of approximately US\$130 million. Capital costs, estimated to be US\$427 million, have a payback period of 4 years.

The preliminary assessment is preliminary in nature, and includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that the preliminary assessment will be realized. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

⁽¹⁾ A qualified person has not done sufficient work to classify the historical estimate as current mineral resources, Western Lithium is not treating the historical estimate as current mineral resources and the historical estimate should not be relied upon. The Chevron Resources historical resource estimate of 11 million tonnes of LCE is at average grades ranging from 0.31% to 0.37% Li, March 1985. There is insufficient information regarding the categories used in the historical estimates to make a meaningful comparison to current resource categories under CIM Definition Standards of Mineral Resources and Mineral Reserves.

NI 43-101 Report

Western Lithium has completed a National Instrument 43-101 resource estimate for the envisioned initial stage of development. The current resources are part of the historical estimate of 11 million tonnes of lithium carbonate equivalent (LCE) prepared by Chevron Resources and ranks in size behind deposits in Chile (32 million tonnes LCE), Bolivia (29 million tonnes LCE), North Carolina (14 million tonnes LCE) and the DRC (12 million tonnes LCE). (Source: Roskill Information Services Ltd., R. Keith Evans, National Research Council and Western Lithium estimates). A qualified person has not done sufficient work to classify the historical estimate as current mineral resources under National Instrument 43-101, the Company is not treating the historical estimate as current mineral resources and the historical estimate should not be relied upon.

Lease and Option Agreement

The Company and Western Uranium entered into a mining lease and option to purchase agreement (the "Lease Agreement"), 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 Company 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 agreement. In consideration for the Exploration Right, the Company must pay to Western Uranium US\$25,000 (paid), US\$50,000 (paid) on the first anniversary of the effective date of the Lease Agreement, US\$75,000 (US\$75,000 paid) 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 Company has agreed to pay to Western Uranium a Net Smelter Returns Royalty of 1.5% and a Net Profits Royalty equal to 3.5%.

Location

The Kings Valley property is located approximately 100 kilometres north-northwest of Winnemucca, Nevada, along U.S. Highway 95 and 40 km west-northwest of Orovada, Nevada, on paved state highway 293 with railroad access located in Winnemucca.

The project has the advantage of leveraging off an active mining industry in the Winnemucca area, with developed infrastructure and an experienced work force. Adequate electrical power is available and currently there is a 115 kVA power line that passes through the property. Water is available in the region and can be sourced from one of the nearby valleys. A major natural gas pipeline is located approximately 32 km to 60 km from the project site.

Mineral Resource Estimate

The Kings Valley lithium deposits occur in five areas of lithium mineralization (lenses) which are found in hectorite, a lithium-bearing clay mineral that occurs in thick, apparently continuous accumulations.

The Stage I mineralization on which the PAEE is based is the southernmost lens in the area of interest. The Stage I mineralized area is about 3 km by 2 km.

AMEC carried out lithium and potassium mineral resource estimates for the Stage I Lens, which forms the basis for this PAEE. The estimate conforms to Canadian National Instrument 43-101, *Standards of Disclosure for Mineral Projects* of the Canadian Securities Administrators. The initial lithium estimate was completed in December 2008 and has an effective date of December 15, 2008. That estimate was reported in an NI 43-101 technical report filed on SEDAR (AMEC, 2008) and is restated here. The potassium estimate was completed in November 2009 and has an effective date of November 15, 2009. The potassium estimate is based on data generated by reanalyzing the Western Lithium core samples for major elements (including K₂O which is converted to potassium sulphate for the estimate).

The resource for Stage I has been classified as both an indicated and inferred mineral resource as defined by CIM Definition Standards. The following table presents the summary of lithium and potassium mineral resources at various cut-off grades. The potassium grade is presented at the lithium cut-off, as the potassium resource is considered a by-product of the lithium resource. The lithium and potassium resources are both within the same block model.

Kings Valley Indicated Mineral Resources

Kings Valley PCD Lens Indicated Mineral Resources, 0.20% Lithium Cutoff*						
Cutoff Li %	MTonnes	Li %	Li₂CO₃ %	K %	Contained Lithium, k-tonnes	Contained Potassium, k-tonnes
0.175	59.58	0.25	1.35	3.28	151	1,954
0.200	48.10	0.27	1.43	3.31	129	1,592
0.225	35.68	0.29	1.54	3.41	103	1,213
0.250	25.77	0.31	1.64	3.57	80	919
0.275	18.24	0.33	1.74	3.69	60	672
0.300	12.42	0.35	1.84	3.76	43	466
Kings Valley Inferred Mineral Resources						
0.175	53.95	0.25	1.34	3.24	136	1,745
0.200	42.32	0.27	1.43	3.26	114	1,382
0.225	30.36	0.29	1.55	3.38	89	1,025
0.250	20.93	0.32	1.69	3.53	66	739
0.275	15.88	0.33	1.78	3.60	53	571
0.300	10.35	0.36	1.91	3.69	37	381

* Inferred tonnes within 213 meters of nearest drill hole; indicated tonnes two drill holes within 201 meters, one within 143 meters.

Contained metal does not allow for mine and metallurgical recovery.

1.8 tonnes/m³ tonnage factor used.

Economic assumptions for cut-off grade: \$3.50 lithium carbonate /lb, 60% metallurgical recovery, \$50/tonne processing, \$2.20 USD/tonne mining.

Rounding errors may exist.

Mining Operations

The operation is planned as an open-pit operation using conventional truck/shovel mining methods. The strip ratio is 2.42:1. The life-of-mine (LOM) plan shows a total of 32 million tonnes of mill feed and 78 million tonnes of waste over an 18-year mine operating life at a cut-off grade of 0.270% lithium.

In-pit Mineral Resources Estimate

Item	Total/Average
In-pit indicated resources	17,612,000 tonnes (dry basis)
In-pit inferred resources	14,547,000 tonnes (dry basis)
Lithium (Li), ppm	3,292
Potassium (K), ppm	35,963
Waste	77,910,000 tonnes (dry basis)
Strip Ratio	2.42
Li ₂ CO ₃ equivalent at 88.5% recovery	499,000 tonnes
K ₂ SO ₄ equivalent at 80.5% recovery	2,074,000 tonnes

Metallurgical Testing

Metallurgical test work was performed at Kappes, Cassiday & Associates on samples from the King's Valley lithium deposit by various researchers. The design concept of Western Lithium's proposed facility is based in principle on the U.S. Bureau of Mines (USBM) report, *Lithium and Its Recovery from Low-grade Nevada Clays* (USBM Bulletin 691, 1988). USBM performed laboratory tests on the clays obtained from the McDermitt Caldera, the same ore body discussed in this news release. The KCA test work confirmed that the USBM process for recovery of lithium from this deposit is technically viable.

The preferred processing concept was performed on composite of both the oxidized and unoxidized ore types of the deposit. This includes calcining of the ore with a mixture of limestone and gypsum, followed by water leaching to recover soluble lithium and other alkali sulphates. The following weighted average recoveries on the combined ore types were based on laboratory data and mass balance calculations:

- Lithium: 88.5%
- Potassium: 80.5%

Mineral Processing

The process steps in the selected flow sheet; drying, calcining, leaching, and lithium carbonate recovery; employ conventional, proven technologies and equipment. The crystallization process is based on industry published solubility data.

The key process step in this operation is a conversion of lithium (and other alkali metals) contained in the deposit from silicates to water-soluble sulphates employing a high temperature calciner by the addition of calcium sulphate. The advantage of this process is that the impurities in the ore remain insoluble, thus simplifying downstream recovery and refining process. The hot calcine is cooled by ambient air in a fluidized bed cooler. To further maximize the energy efficiency of the process, the remaining calciner off-gas is used in the waste heat boiler to produce steam.

The discharge solution from the lithium recovery process contains potassium and sodium sulphates and a significant amount of dissolved lithium. The primary objective of this crystallization process is to recover potassium sulphate as a marketable product.

The PAEE considers the preparation of an intermediate product, glaserite (3 K₂SO₄.Na₂SO₄), followed by a direct crystallization and drying of potassium sulphate. This process has not been demonstrated commercially on this type of feed stock, but published solubility data indicate that the process is technically viable (Seidell, 1965).

Process Plant and Infrastructure Capital Cost

The capital cost estimate prepared for the metallurgical process facilities addresses a greenfield plant capable of processing 5,000 tonnes/day of ore (dry basis). The total cost to design, procure, construct, and commission the plant facilities is US\$388 million with an accuracy of +/-35 percent AACE Class 5 estimate. The following table summarizes the process plant capital costs by major area. These costs were determined using the consultants' in-house database and from soliciting budget price proposals for new equipment. The cost of the natural gas pipeline for the study was estimated by Southwest Gas Corporation. The cost of the Clay Production Facility was provided by JP Process Consulting.

Capital Cost Estimate Process Plant

Description	Costs, (US\$,000s)
Direct Costs	
Area 100 – Ore Crushing and Storage	\$7,807
Area 200 – Calcining and Leaching	\$89,115
Area 300 – Evaporation / Crystallization	\$81,413
Area 400 – Product Precipitation, Drying, Packaging and Storage	\$7,289
Area 500 – Reagents and Utilities	\$12,694
Liquid Tailings Impoundment	\$2,572
Natural Gas Pipeline	\$6,600
Clay Production Facility	\$6,930
Total Direct Cost	\$214,420
Indirect Costs	
Field Staff, Local Hires, Overhead, and Expenses	\$40,369
Craft Indirect Costs	\$32,295
Temporary Facilities	\$8,074
Construction Equipment, Tools, Supplies, Scaffold	\$15,617
Total Indirect Cost	\$96,355
Engineering (Home Office)	\$22,764
Freight, Duties and Taxes	\$11,350
Contingency	\$42,884
TOTAL	\$387,773

Open-pit Mine

Mine capital equipment costs are from both the consultants' in-house database and from soliciting budget price proposals for new equipment and are in fourth quarter 2009 US\$. The open pit equipment capital costs required to achieve the target processing rate is estimated to be US\$39 million.

Mine Equipment Capital Spending Summary (US\$000s)

Major Mining Equipment Capital	Total
Liebherr 984 Excavator	\$5,060
Cat 992 FEL	\$2,026
Cat 775 Truck	\$7,762
Cat 637 Scraper	\$2,484
Cat D8N Track Dozer	\$5,527
Cat14G Grader	\$1,035
Cat 988 FEL	\$805
Cat773 Water Truck	\$2,588
Cat773 Lube Truck	\$1,955
Light Plants	\$167
Subtotal Capital on Fleets	\$29,409
Mine Infrastructure and Ancillary Support Capital	\$9,628
TOTAL CAPITAL SPENDING	\$39,037

Operating Cost Estimate

The operating costs have been prepared for a plant processing 5,000 tonnes/day of ore. The total combined operating cost for the mine and process facilities are presented below.

Project Cost Summary

Description	Unit Cost* (US\$/Li tonnes)
Mining–Open Pit	\$566.57
Processing	\$3,767.17
Other	
Owner’s Costs	\$129.17
Royalties	\$370.66
Capital Depreciation	\$846.18
TOTAL	\$5,679.75

The operating cash cost per tonne of LCE is estimated to be US\$1,967 net of by-products and is calculated as follows:

Operating Cash Cost Calculation

Description	US\$/Li tonnes
Mining–Open Pit	\$566.57
Processing	\$3,767.17
Owner’s Costs	\$129.17
SOP Credit*	\$(2,496.00)
Lithium Carbonate Cash Cost Equivalent	\$1,966.91

Cash Flow Analysis

Project Net Present Value—Pre-tax (8% Discount Rate)

Note: NPV values are in millions, US\$714 million is the base case.

\$10,000	\$876	\$971	\$1,065	\$1,159	\$1,254	\$1,348	\$1,443	\$1,537	\$1,631	\$1,726
\$9,000	\$662	\$756	\$850	\$945	\$1,039	\$1,134	\$1,228	\$1,322	\$1,417	\$1,511
\$8,000	\$447	\$541	\$636	\$730	\$824	\$919	\$1,031	\$1,108	\$1,202	\$1,296
\$7,000	\$231	\$326	\$420	\$515	\$606	\$703	\$798	\$892	\$986	\$1,081
\$6,614	\$147	\$242	\$337	\$431	\$525	\$620	\$714	\$808	\$903	\$997
\$6,000	\$12	\$108	\$203	\$298	\$392	\$486	\$581	\$675	\$769	\$864
\$5,000	(\$210)	(\$113)	(\$17)	\$79	\$174	\$268	\$363	\$457	\$551	\$646
\$4,000	(\$437)	(\$339)	(\$243)	(\$146)	(\$50)	\$46	\$141	\$236	\$330	\$424
\$3,000	(\$671)	(\$572)	(\$473)	(\$374)	(\$277)	(\$181)	(\$84)	\$12	\$107	\$201
	\$0	\$100	\$200	\$300	\$400	\$500	\$600	\$700	\$800	\$900

Potassium Sulphate – (\$/tonne)

Estimated nominal annual revenues for the Stage I project using base case prices of US\$6,614 per tonne for LCE and US\$600 per tonne for SOP are summarized as follows:

- Lithium carbonate (LCE): \$183.2 million (70%)
- Potassium sulphate (SOP): \$69.1 million (26%)
- Clay: \$11.2 million (4%)

The project has a pre-tax net present value (NPV) of US\$714 million and an after-tax NPV of US\$435 million at 8% discount rate. Simple payback occurs in year 4 in both cases. The Internal Rate of Return (IRR) is 28.1% for the pre-tax case and 22.8% for the after-tax case. The following table presents calculated pre-tax NPV for various prices of lithium carbonate and potassium sulphate at 8% discount rate.

Environmental Considerations and Community Involvement

Western Lithium is working with federal, state and local agencies that regulate mining activities in Nevada. These agencies include, but are not necessarily limited to, the following federal agencies: U.S. Bureau of Land Management (BLM), U.S. Environmental Protection Agency (EPA), U.S. Army Corps of Engineers, and the state's Bureau of Mining Regulation and Reclamation (BMRR), Nevada Division of Environmental Protection (NDEP) and Humboldt County.

A Plan of Operation (POO) has been submitted to the U.S. Bureau of Land Management (BLM) and the Nevada Department of Environmental Protection (NDEP) in May 2008 for an extensive drilling and trenching exploration program to further delineate the resources of the PCD Lens. That action included an Environmental Assessment. A revision to the POO was filed on November 10, 2009. This permit is pending, with approval anticipated in early 2010. No environmental liabilities are known to exist at the Kings Valley project site. During the permitting process, including agency review and public notice, the nearby communities will be involved as project information is developed and potential environmental impacts are identified.

Conversion Factors Used for Lithium Compounds

To convert from Lithium (Li):	To Lithium Carbonate (Li ₂ CO ₃) multiply by 5.323	To Lithium Oxide (Li ₂ O) multiply by 2.153	To Lithium Hydroxide Monohydrate (LiOH.H ₂ O) multiply by 6.04
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Arrangement with Western Uranium Corporation

On July 16, 2008, the Company closed its statutory plan of arrangement (the "Arrangement") with its parent company, Western Uranium Corporation. All transaction costs with respect to the Arrangement were expensed during the period.

As part of the Arrangement, the Company subdivided its share capital on a 35,000,000 for one basis. 19,734,361 of the Company's shares were distributed to Western Uranium shareholders of record as of June 19, 2008, receiving one Western Lithium share for every three Western Uranium shares held.

As part of the arrangement, Western Lithium also completed a brokered private placement (the "Private Placement") of 16,220,000 common shares of Western Lithium at a price of \$0.50 per share for gross proceeds of \$8,110,000. The Private Placement further diluted Western Uranium interest of 15,209,393 common shares in Western Lithium which represents approximately 29.7% of the issued and outstanding shares of Western Lithium as at September 30, 2008. On completion of the Arrangement, the Company is no longer controlled by Western Uranium. As at the date of this report, Western Uranium owns 19,685,393 shares in the Company or approximately 24%.

As part of the Arrangement, Western Lithium entered into a loan agreement (the "Loan") with Western Uranium to fund the exploration program on its property and received \$2,098,550 during the year ended September 30, 2008. The Loan bore interest of 5% per annum. The Company repaid the loan upon completion of the Private Placement and incurred interest expense of \$66,448 on the loan amount.

Basis of Presentation of 2008 Financial Information

Western Lithium financial information for 2008 reflects 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 results of operations and deficit up to July 16, 2008, include a cumulative \$703,571 allocation of Western Uranium general and administrative expenses. The allocation of general and administrative expenses was calculated on the basis of the ratio of expenditures incurred on the lithium claims located on Western Uranium's Kings Valley Property as compared to the expenditures incurred on all of Western Uranium 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 this financial information and the allocation of expenses may not be indicative of the actual expenses that would have been incurred had the Company been operating as a separate, stand-alone public company for the periods presented and do not reflect the Company's consolidated results of operations, financial position, and cash flows had the Company been the stand-alone public company during the periods presented. The results of operations are not necessarily indicative of the operating results of future years.

Selected Annual Financial Information

The following table provides a brief summary of the Company's financial operations for the past three years. For more detailed information, refer to the audited financial statements.

	Year ended September 30,		
	2009	2008	2007
	\$	\$	\$
Total assets	12,092,913	7,591,935	218,882
Mineral properties and deferred costs	5,381,890	2,457,692	218,882
Total current liabilities	(764,274)	(135,626)	(218,882)
General and administrative expenses	(3,648,215)	(2,277,034)	(63,038)
Net loss and comprehensive loss for the year	(3,422,479)	(2,149,611)	(63,038)
Basic and diluted loss per share	(0.06)	(0.16)	N/A
Cash dividends	-	-	-

- Total assets increased by \$4,500,978 during 2009 primarily due to the \$5,695,948 net proceeds from the issuance of common shares during the year and \$628,648 increase in accounts payable offset with general and administrative expenses. During 2008 increase of \$7,373,053 in total assets was primarily due to the net proceeds of \$7,753,393 received from the private placement completed in 2008, offset with operating expenditures;
- Mineral properties and deferred costs increased by \$2,924,198 in 2009 and by \$2,238,810 in 2008 mostly due to exploration and development expenditures on the Company's Kings Valley Property.
- Current liabilities consist of accounts payable and accrued liabilities. 2009 increase of \$628,648 was mainly due to the timing of billing for exploration and development expenditures on the Kings Valley Property in fiscal 2009.
- General and administrative expenses increased in 2009 by \$1,371,181 mainly due to increase of \$130,040 in non-cash stock-based compensation expense, laboratory contract payment of \$437,700 and increase in other expense categories due to the increase in activities during 2009 which are described in more detail below. Increase of \$2,213,996 in 2008 general and administrative expenses was mainly due to \$1,433,769 increase in non-cash stock-based compensation, increase of \$577,495 in general and administrative expenses allocated from Western Uranium under continuity of interest basis of accounting until July 16, 2008, the date of the spin-out of Western Lithium from Western Uranium and increase in other general and administrative costs. See below additional disclosure on significant fluctuations in the company's general and administrative expenses.

- Net loss and comprehensive loss for 2009 increased by \$1,272,868 mainly due to the \$130,040 increase in stock-based compensation expense for the stock options granted and vested during 2009, \$803,441 increase in administrative expenses due to the increase in corporate activities and becoming a public company in July 2008, and \$437,700 laboratory contract payment, offset with \$88,140 increase in foreign exchange gain. Net loss and comprehensive loss for 2008 increased by \$2,086,573 mainly due to \$1,433,769 increase in stock-based compensation and \$780,227 increases in other general and administrative expenses due to the increase in Company's activities offset with \$111,294 increase in reported foreign exchange gain.

Summary of financial results

For the year ended September 30, 2009, the Company reported a net loss of \$3,422,479 (2008 – \$2,149,611) of which loss of \$3,648,215 (2008 - \$2,277,034) can be attributed to general and administrative expenses, an income of \$199,434 (2008 - \$111,294) to Canadian/US dollar exchange fluctuations, and an income of \$26,302 (2008 - \$16,129) to interest earned on the Company's cash and cash equivalents.

Significant fluctuations incurred in the following categories:

- Stock-based compensation of \$1,598,861 (2008 - \$1,468,821) is a non-cash expense and represents the estimated fair value of stock options vested during the year. The stock-based compensation charge was greater in 2009 due to additional stock options granted during the period. 2008 stock-based compensation consisted of \$256,827 stock-based compensation allocated from Western Uranium and \$1,211,994 stock-based compensation for the stock options granted during 2008. Stock-based compensation expense is accounted for at fair value as determined by the Black-Scholes Option Pricing Model using estimates that are believed to approximate the volatility of the trading price of the Company's stock, the expected lives of awards of stock-based compensation, the fair value of the Company's stock and risk-free rate.
- Rent of \$89,733 (2008 - \$32,853), travel of \$224,935 (2008 - \$50,599), wages and benefits of \$482,648 (2008 - \$118,051), investor relations expenses of \$109,606 (2008 - \$19,940), audit and accounting of \$120,475 (2008 - \$87,598), advertising expenses of \$180,852 (2008 - \$20,522), and conferences expenditures of \$115,140 (2008 - \$nil) increased mainly due to the increase in the Company's activities, hiring of additional staff and consultants, and becoming a public company in July 2008. The Company significantly expanded its operations during 2009, added technical and corporate staff, expanded offices and increased its marketing and investor relations activities.
- Interest expense and bank charges of \$3,307 (2008 - \$67,300) are lower in 2009. Interest and bank charges in 2008 consisted primarily of the interest paid to Western Uranium on the loan used for exploration on Kings Valley property. The loan was repaid to Western Uranium at the end of fiscal 2008.
- Legal expenses of \$47,530 (2008 - \$81,537) and regulatory and filing fees of \$30,825 (2008 - \$69,758) were lower in 2009 compared to 2008 as the Company completed its spin-out transaction with Western Uranium and became public in 2008.
- Foreign exchange gain of \$199,434 was recorded during the year ended September 30, 2009 (2008 - \$111,294 gain) primarily as a result of Canadian/US dollar exchange fluctuations and its effect on the Company's US\$ denominated funds and conversion of US\$ denominated property expenditures of its US subsidiary upon consolidation.
- Laboratory contract payment of \$437,700 (2008 - \$nil) was made to a metallurgical testing lab according to the contract entered by the Company in 2008. During 2009 the Company changed the scope of work performed by the lab and was obliged to reimburse the lab for the previously purchased specialized equipment.

The Company capitalized \$2,924,198 (2008 - \$2,238,810) on Kings Valley Lithium project. There were no properties written off during 2009 or in prior years.

Deferred share issued costs of \$25,725 relate to the private placement completed after the year end.

Summary of Quaterly Results and Fourth Quarter

The following is a summary of the Company's selected consolidated financial information for the eight most recently completed quarters. The information has been prepared in accordance with Canadian GAAP.

	Year end September 30, 2009				Year end September 30, 2008			
	Q4 \$	Q3 \$	Q2 \$	Q1 \$	Q4 \$	Q3 \$	Q2 \$	Q1 \$
Total assets	12,092,913	12,282,931	7,714,901	8,129,451	7,591,935	2,293,360	2,239,152	2,822,672
Mineral properties and deferred costs	5,381,890	4,791,267	3,647,461	3,149,375	2,457,692	2,287,684	1,608,138	840,072
Working capital	5,921,024	7,181,112	3,845,694	4,623,689	4,998,617	(2,285,216)	(1,571,861)	(16,799)
Total revenues	-	-	-	-	-	-	-	-
General and administrative expenses	(1,141,383)	(786,810)	(860,358)	(859,664)	(1,491,987)	(314,075)	(293,406)	(177,566)
Net loss	(1,341,126)	(1,022,303)	(738,184)	(320,866)	(1,364,564)	(314,075)	(293,406)	(177,566)

Significant fluctuations for the quarterly periods are due to the following:

Total assets

- Increase in Q4 2009 total assets compared to Q3 2009 is mainly due to the net proceeds of \$512,175 received from exercise of stock options and share purchase warrants, \$453,722 increase in accounts payable offset by general and administrative expenditures and decrease in the value of the US\$ denominated cash and term deposits due to foreign exchange fluctuation of US\$ in relations to CDN\$.
- Increase in Q3 2009 total assets compared to Q2 2009 is mainly due to the net proceeds of \$5,183,773 received from the private placement completed in May 2009 offset by general and administrative expenditures.
- Decrease in Q2 2009 total assets compared to Q1 2009 is mainly due to general and administrative expenditures of \$402,083 incurred during the period and \$134,641 decrease in accounts payables offset by the increase in the value of the US\$ denominated cash and term deposits due to foreign exchange fluctuation of US\$ in relation to CDN\$.
- Increase in Q1 2009 total assets compared to Q4 2008 is mainly caused by the increase in the value of the US\$ denominated cash due to appreciation of the US\$ offset by general and administrative expenditures.
- Increase in Q4 2008 total assets and working capital compared to Q3 2008 is due to the net proceeds of \$7,753,393 received from the private placement completed during 2008 offset by operating expenditures and repayment of loan from Western Uranium.

Mineral properties and deferred costs

Increases during the periods are mostly due to the exploration expenditures and acquisition costs for the Company's Kings Valley Lithium Project.

Working capital

- Decrease in Q4 2009 working capital is due to the expenditures on the Company's Kings Valley Lithium Project, decrease in the value of the US\$ denominated cash and term deposits offset by the net proceeds received from exercise of stock options and share purchase warrants.

- Increase in Q3 2009 working capital is due to the net proceeds of \$5,183,773 received from the private placement completed in May 2009 offset by increase in exploration expenditures on the Company's Kings Valley Lithium Project, US\$375,000 payment to the laboratory for the testing equipment and increase in general and administrative expenditures.
- Decrease in working capital in Q1 and Q2 2009 is mainly due to the expenditures on the Company's Kings Valley Lithium Project and increase in general and administrative expenses offset by the change in the value of US\$ denominated cash and term deposits.
- Increase in Q4 2008 working capital is due to the net proceeds of \$7,753,393 received from the private placement completed during 2008.

General and administrative expenditures

- Q4 2009 increase in general and administrative expenditures compared to Q3 2009 is mainly due to the laboratory contract payment expensed during the period offset by decrease in non-cash stock-based compensation expense of \$188,148 compared to Q3 2009 stock-based compensation of \$314,817.
- Q3 2009 decrease in general and administrative expenditures compared to Q2 2009 is mainly due to decrease in non-cash stock-based compensation expenses of \$314,817 compared to Q2 2009 stock-based compensation of \$458,275. Increase in individual expense categories is due to an increase in the Company's activities.
- Q2 2009 total general and administrative expenditures of \$860,358 are comparable to Q1 2009 expenditures of \$859,664. Increase in individual expense categories, as result of increase in the Company's activities and becoming an independent public company in July 2008, was offset by decrease of \$179,346 in non-cash stock-based compensation expenses in Q2 2009. Stock-based compensation figures will vary from period to period depending on the fair value and the amortization schedule of previous stock option grants.
- Q1 2009 decrease in general and administrative expenditures compared to Q4 2009 is mainly due to decrease in non-cash stock-based compensation expenses of \$637,621 compared to Q4 2008 stock-based compensation of \$1,433,769.
- During Q1, Q2 and Q3, 2008 the Company's 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 increase in the general and administrative expenses is due to the increase in the expenditures on the Company's King Valley Lithium project compared to the total expenditures by Western Uranium Corporation.
- Q4 2008 increase in general and administrative expenditures is mainly due to increase in non-cash stock-based compensation of \$1,433,769.

Net loss

Significant fluctuations in net loss and accumulated deficit from period to period, excluding laboratory contract expense in Q4, 2009, are primarily due to stock-based compensation expenses incurred as a result of options issued, increase in the Company's activities and becoming a public company in July 2008, and the foreign exchange gain/(loss). The foreign exchange gain/(loss) during the periods primarily is a result of Canadian/US dollar exchange fluctuations and its effect on the Company's US\$ denominated funds and conversion of US\$ denominated property expenditures of its US subsidiary upon consolidation.

Liquidity and Capital Resources

At September 30, 2009, the Company's cash and cash equivalent totaled \$6,558,697, an increase of \$1,447,177 from September 30, 2008. The increase is due to the net proceeds of \$5,695,948 received from the private placement completed in May 2009 and exercise of stock options and stock purchase warrants offset by operating and exploration expenditures on the Company's Kings Valley Lithium project, general and administrative expenses, and foreign exchange gain on the Company's US\$ denominated funds due to appreciation of the US\$ in 2009.

As at the date of this MD&A, the Company's working capital is approximately \$20,500,000. The Company consider has sufficient cash to finance its current plans for at least 12 months from the date of approval of the financial statements.

In October 2009, Western Lithium completed a private placement of an aggregate of 17,476,000 units at a price of \$0.95 per unit for gross proceed of \$16,602,200 (net \$15,650,681). Each common share is comprised of one common share and one-half of a common share purchase warrant. Each whole warrant will entitle the holder thereof to purchase an additional common share for a period of eighteen months at a price of \$1.25 per share. The company paid to Agent cash commission of \$897,294 and granted 944,520 compensation options exercisable for a price of \$0.95 for a period of eighteen months. In addition, the Company paid \$28,500 of finder's fee.

The Company's property will not generate any revenue in the near future and will have to continue to rely on successfully completing additional financings to further development of its property. The Company's capital resources are largely determined by the strength of the junior resource markets and by the status of the Company's project in relation to these markets, and its ability to compete for investor support of its project. There can be no assurance that the Company will be successful in obtaining the required financing.

Except as disclosed, the Company does not know of any trends, demand, commitments, events or uncertainties that will result in, or that are reasonably likely to result in, its liquidity either materially increasing or decreasing at present or in the foreseeable future. Material increases or decreases in liquidity are substantially determined by the success or failure of the exploration programs.

The Company does not now and does not expect to be engaged in currency hedging to offset any risk of currency fluctuations.

Operating Cash Flow

Cash used in operating activities during the year ended September 30, 2009 was \$2,053,479 compared to net cash of \$760,284 used during the year ended September 30, 2008. Increase in the amount of cash used in operating activities during the year ended September 30, 2009 was mainly due to the increase in activities since the Company became public in July 2008.

Financing Activities

The Company generated cash of \$5,670,223 from financing activities during the year ended September 30, 2009 and \$8,137,099 during the year ended September 30, 2008. The decrease is mainly due to the smaller amount of private placement completed in 2009.

Investing Activities

Investing activities required cash of \$2,369,001 during the year ended September 30, 2009, compared to cash of \$2,376,589 used during the year ended September 30, 2008. The cash used in investing activities during the 2009 and 2008 was for the exploration and development expenditures on the Company's Kings Valley Lithium project.

Related Party Transactions

During 2007, the Company entered into a Mining Lease and Option Agreement with Western Uranium Corporation, with which it has two common directors.

Included in consulting fees for the year ended September 30, 2009 is \$Nil (2008 - \$115,075) paid to a company controlled by a Director for executive search fees.

As at September 30, 2009, accounts payable and accrued liabilities include \$25,756 (September 30, 2008 - \$Nil) payable to an officer of the Company for reimbursement of travel expenses.

The related party transactions incurred during the year were in the normal course of operations and were measured at the exchange value, which represented the amount of consideration established and agreed by the related parties.

Off-balance Sheet Arrangements

The Company has no off-balance sheet arrangements other than those disclosed under mineral properties.

Commitments

- a) Mineral properties commitments are disclosed in Note 4 of the Company's audited consolidated financial statements for the year ended September 30, 2009.
- b) The Company has committed to rent office space for the following annual amounts:

Unit	Commencement Date	Term	\$/ month	Fiscal 2010
Vancouver #1518	1-Jan-09	28-Feb-10	\$ 1,930	\$ 9,650
Vancouver #1525	1-Jan-09	28-Feb-10	2,170	10,850
Vancouver #1526	1-Nov-08	28-Feb-10	1,750	8,750

Current Share Data

As at the date of this MD&A, the Company has 82,284,700 common shares issued and outstanding and has the following stock options and warrants outstanding:

	Number of Shares	Exercise Price	Expiry Date
Options	4,918,750	\$ 0.50	June 6, 2013
	100,000	0.72	August 11, 2013
	1,600,000	0.45	October 16, 2013
	547,500	0.54	March 17, 2014
	1,300,000	1.28	November 2, 2014
	200,000	1.43	December 14, 2014
Total options	8,666,250		
Warrants	944,520	0.95	April 15, 2011
	9,440,000	0.60	May 6, 2011
	265,050	0.60	May 6, 2010
	8,738,000	1.25	April 15, 2011
Total warrants	19,387,570		

As at date of this MD&A, 6,844,227 of the Company's shares are held in escrow pursuant to the Escrow Agreement dated June 19, 2008, (the "Agreement") between the Company, Computershare, and Western Uranium Corporation. According to the Agreement, 2,281,409 of these shares are released every 6 months. The next scheduled release is on July 16, 2010, and the last release is on July 16, 2011.

Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, receivables, and accounts payable and accrued liabilities. The fair value of these financial instruments approximates their carrying values, unless otherwise noted. Financial instruments disclosure is contained in Note 11 of the Company's audited consolidated financial statements for the year ended September 30, 2009.

Risks and uncertainties

The Company's operations and results are subject to a number of different risks at any given time. These factors, include but are not limited to disclosure regarding exploration, additional financing, project delay, titles to properties, price fluctuations and share price volatility, operating hazards, insurable risks and limitations of insurance, management, foreign country and regulatory requirements, currency fluctuations and environmental regulations risks. Exploration for mineral resources involves a high degree of risk. The cost of conducting programs may be substantial and the likelihood of success is difficult to assess. The Company seeks to counter this risk as far as possible by selecting exploration areas on the basis of their recognized geological potential to host economic deposits.

A summary of the Company's financial instruments risk exposure is provided in the Note 11 of the Company's audited consolidated financial statements for the period ended September 30, 2009.

The following are additional risk factors which the Company's management believes are most important in the context of the Company's business. It should be noted that this list is not exhaustive and that other risk factors may apply.

Exploration and Mining Risks: Exploration for mineral resources involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. The cost of conducting programs may be substantial and the likelihood of success is difficult to assess. The Company has limited financial resources and, as pointed out above, has no current source of recurring income with which to cushion financial setbacks. In future, there is no assurance that the Company will produce revenue, operate profitably, or provide a return on investment. The Company seeks to counter this risk as far as possible by selecting exploration areas on the basis of their recognized geological potential to host economic deposits.

Metal Price Risk: Metal prices have historically fluctuated widely and are affected by numerous factors beyond the Company's control, including international, economic and political trends, expectations for inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities and worldwide production levels.

The price of lithium is affected by numerous factors beyond the control of the Company and can be extremely volatile. The price of this metal greatly affects the value of the Company and the potential value of its properties.

The Company's results of operations also could be affected by the prices of other commodities such as fuel and other consumable items or the co-products, although to a lesser extent than by the price of lithium. The prices of these commodities are affected also by numerous factors beyond the Company's control.

Financial Markets: The Company is dependent on the equity markets as its sole source of operating working capital and the Company's capital resources are largely determined by the strength of the junior resource markets and by the status of the Company's projects in relation to these markets, and its ability to compete for the investor support of its projects.

Title Risk: Although the Company has taken steps to verify title to mineral property in which it has an interest in, these procedures do not guarantee the Company's title. Such property may be subject to prior agreements or transfers and title may be affected by undetected defects.

Permits and licenses: The Company's operations may require licenses and permits from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development, and mining operations at its projects. Furthermore, while it is common practice that permits and licenses may be renewed, extended or transferred into other forms of licenses appropriate for ongoing operations, no guarantee can be given that a renewal, extension, or a transfer will be granted to the Company, or if they are granted, that the Company will be in a position to comply with all conditions that are imposed.

Industry: The Company is engaged in the acquisition and exploration of resource properties, an inherently risky business, and there is no assurance that an economic mineral deposit will ever be discovered and subsequently put into production. Most exploration projects do not result in the discovery of commercially mineable deposits.

Capital Needs: The exploration of the Company's current and future properties will require additional financing. The only current source of future funds available to the Company is the sale of additional equity capital. While the Company was successful in completing the most recent private placement funding, there is no assurance that such funding will be available to the Company, or that it will be obtained on terms favorable to the Company, or will provide the Company with sufficient funds to meet its objectives, which may adversely affect the Company's business and financial position. Failure to obtain sufficient financing may result in delaying or indefinite postponement of exploration activities on the Company's property or even a loss or property interest.

Environmental Compliance

The Company's operations are subject to local laws and regulations regarding environmental matters. Environmental laws and regulations change frequently, and the implementation of new or the modification of existing laws or regulations could harm the Company. Any changes in these laws could affect the Company's operations and economics.

The Company may be required to make significant expenditures to comply with governmental laws and regulations. While the Company believes it does not currently have any material environmental obligations, exploration and development activities may give rise in the future to significant liabilities of the Company's part to the government and third parties and may require the Company to incur substantial costs of remediation. Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions.

Critical Accounting Estimates

Reference should be made to the Company's significant accounting policies contained in Note 2 of the Company's audited consolidated financial statements for September 30, 2009. These accounting policies can have a significant impact of the financial performance and financial position of the Company.

New Accounting Policies and Standards

General standards on financial statement presentation

Effective October 1, 2008, the Company adopted the recommendations in CICA Handbook Section 1400, *General Standards of Financial Statements Presentation*, which includes requirements to assess an entity's ability to continue as a going concern; disclosure of material uncertainties relate to events or conditions that may cast doubt upon the entity's ability to continue as a going concern; disclosure of when financial statements are not prepared on a going concern basis, together with the basis on which the financial statements are prepared, and the reason why the entity is not regarded as a going concern.

Goodwill and Intangible Assets

Effective October 1, 2008, the Company adopted the recommendations in CICA Handbook Section 3064, which replaces Section 3062, *Goodwill and Other Intangible Assets* and Section 3450, *Research and Development Cost*. This new section establishes standards for the recognition, measurement, presentation, and disclosure of goodwill subsequent to its initial recognition and of intangible assets. Standards concerning goodwill remain unchanged from the standards included in the previous Section 3062. Adoption of this section had no impact on the Company's financial results.

Credit Risk and Fair Value of Financial Assets and Financial Liabilities

In January 2009, the CICA issued Emerging Issues Committee (“EIC”) Abstract 173 entitled *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities* (“EIC – 173”). EIC–173 provides guidance on how to take into account credit risk of an entity and counterparty when determining the fair value of financial assets and financial liabilities, including derivative instruments. EIC– 173 is applicable to the Corporation’s interim and annual financial statements for periods ending on or after January 20, 2009. The Company has evaluated the new guidance and determined that the adoption of these new requirements has not had an impact on the Company’s consolidated financial statements.

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 October 1, 2011 will require the restatement of comparative purposes of amounts reported by the Company for the year ended September 30, 2011. The Company is currently engaged in the scoping phase of its conversion which involves a high level review of major differences between Canadian GAAP and IFRS, setting a timeline for resources and developing a project plan. This scoping phase is intended to provide direction to the Company’s management for the second phase of conversion project and will be disclosed in the Company’s 2010 annual financial statements and management’s discussion and analysis. The company continues to monitor and assess the impact of convergence of Canadian GAAP and IFRS.

Business Combinations, Consolidated Financial Statements and Non-Controlling Interests

The CICA issued three new accounting standards in January 2009: Section 1582, *Business Combinations*, Section 1601, *Consolidated Financial Statements*, and Section 1602, *Non-Controlling Interests*. Section 1582 replaces Section 1581 “Business Combinations” and establishes standards for the accounting for business combinations. It provides the Canadian equivalent to *International Financial Reporting Standards IFRS 3 “Business Combinations”*.

The section applies prospectively to the business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Sections 1601 and 1602 together replace Section 1600 “Consolidated Financial Statements”. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1601 applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Section 1602 provides guidance on accounting for any non-controlling interests subsequent to a business combination. Section 1602 is to be implemented concurrently with section 1582, *Business Combinations*. It is equivalent to the corresponding provisions of *International Financial Reporting Standard IAS 27 “Consolidated and Separate Financial Statements”* and applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company will consider the impact of adopting these pronouncements on its financial statements if future acquisitions are completed.

Change in Directors and Management

During the year ended September 30, 2009, the Company announced the appointment of Jay Chmelauskas as its new President, Dennis Bryan as Senior Vice President of Development and Cindy Burnett as Vice President of Investor Relations. At the same time, Pamela Klessig resigned as President of Western Lithium Canada Corporation. Ms. Klessig serves as a Director of Western Lithium Canada Corporation.

Subsequent to September 30, 2009, the Company appointed Silvio Bertolli as Sr. Vice President, Project Development, to guide the company through the next planned stage of engineering and development.

Investor Relations

Jay Chmelauskas, President, and Cindy Burnett, Vice President Investor Relations, coordinate investor relations’ activities of the Company.

WESTERN LITHIUM CANADA CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2009 AND 2008

(Expressed in Canadian Dollars)

Auditors' Report

**To the Shareholders of
Western Lithium Canada Corporation**

We have audited the consolidated balance sheets of Western Lithium Canada Corporation as at September 30, 2009 and 2008, and the consolidated statements of operations, comprehensive loss and deficit, and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosure in these financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at September 30, 2009 and 2008, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Vancouver, Canada
January 14, 2010

"MacKay LLP"
Chartered Accountants

WESTERN LITHIUM CANADA CORPORATION
CONSOLIDATED BALANCE SHEETS
AS AT SEPTEMBER 30, 2009 AND 2008
(Expressed in Canadian Dollars)

	2009	2008
	\$	\$
A S S E T S		
CURRENT ASSETS		
Cash and cash equivalents	6,558,697	5,111,520
Receivables	6,877	4,671
Prepaid expenses and deposits	<u>119,724</u>	<u>18,052</u>
	6,685,298	5,134,243
DEFERRED SHARE ISSUE COSTS	25,725	-
MINERAL PROPERTIES AND DEFERRED COSTS (Note 4)	<u>5,381,890</u>	<u>2,457,692</u>
	<u>12,092,913</u>	<u>7,591,935</u>
L I A B I L I T I E S		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	<u>764,274</u>	<u>135,626</u>
S H A R E H O L D E R S ' E Q U I T Y		
SHARE CAPITAL (Note 5)	13,353,408	7,753,393
CONTRIBUTED SURPLUS (Note 3 and 5)	3,610,359	1,915,565
DEFICIT	<u>(5,635,128)</u>	<u>(2,212,649)</u>
	<u>11,328,639</u>	<u>7,456,309</u>
	<u>12,092,913</u>	<u>7,591,935</u>

Nature of operations (Note 1)
Arrangement with Western Uranium Corporation (Note 3)
Commitments (Notes 4 and 8)
Subsequent events (Note 13)

On behalf of the Board:

"Pamela Klessig" Director _____ *"Ed Flood"* Director

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

WESTERN LITHIUM CANADA CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT
FOR THE YEARS ENDED SEPTEMBER 30, 2009 AND 2008
(Expressed in Canadian Dollars)

	2009 \$	2008 \$
EXPENSES		
Advertising	180,852	20,522
Audit and accounting	120,475	87,598
Conferences	115,140	-
Consulting fees (Note 6)	120,983	186,359
Interest and bank charges	3,307	67,300
Investor relations	109,606	19,940
Legal fees	47,530	81,537
Office and miscellaneous	64,548	64,253
Regulatory and filing fees	30,825	69,758
Rent	89,733	32,853
Stock-based compensation (Note 5)	1,598,861	1,468,821
Telephone	21,072	9,443
Travel	224,935	50,599
Wages and benefits	482,648	118,051
Laboratory contract (Note 4)	<u>437,700</u>	<u>-</u>
LOSS BEFORE OTHER ITEMS	<u>(3,648,215)</u>	<u>(2,277,034)</u>
OTHER ITEMS		
Foreign exchange gain on cash	199,434	111,294
Interest income	<u>26,302</u>	<u>16,129</u>
	<u>225,736</u>	<u>127,423</u>
NET LOSS AND COMPREHENSIVE LOSS	<u>(3,422,479)</u>	<u>(2,149,611)</u>
DEFICIT – BEGINNING OF YEAR	<u>(2,212,649)</u>	<u>(63,038)</u>
DEFICIT – END OF YEAR	<u>(5,635,128)</u>	<u>(2,212,649)</u>
BASIC AND DILUTED LOSS PER SHARE		
	(0.06)	(0.16)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING – BASIC AND DILUTED		
	55,725,832	13,712,295

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

WESTERN LITHIUM CANADA CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2009 AND 2008
(Expressed in Canadian Dollars)

	2009 \$	2008 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	(3,422,479)	(2,149,611)
Items not affecting cash:		
Stock-based compensation	1,598,861	1,468,821
Foreign exchange on cash	(199,434)	(111,294)
Changes in non-cash working capital items:		
Increase in receivables, prepaids and deposits	(103,878)	(22,723)
Increase in accounts payable and accrued liabilities	73,451	54,523
Net cash used in operating activities	<u>(2,053,479)</u>	<u>(760,284)</u>
CASH FLOWS FROM INVESTING ACTIVITY		
Acquisition of mineral properties and deferred costs	<u>(2,369,001)</u>	<u>(2,376,589)</u>
Net cash used in investing activity	<u>(2,369,001)</u>	<u>(2,376,589)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of common shares	6,012,175	8,110,000
Share issue costs	(316,227)	(356,607)
Deferred share issue costs	(25,725)	-
Funding provided by Western Uranium Corporation	-	383,706 ⁽¹⁾
Loans from Western Uranium Corporation	-	2,098,550
Repayment of loans to Western Uranium Corporation	-	(2,098,550)
Net cash provided by financing activities	<u>5,670,223</u>	<u>8,137,099</u>
FOREIGN EXCHANGE ON CASH AND CASH EQUIVALENTS	<u>199,434</u>	<u>111,294</u>
INCREASE IN CASH AND CASH EQUIVALENTS DURING THE YEAR	1,447,177	5,111,520
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	<u>5,111,520</u>	<u>-</u>
CASH AND CASH EQUIVALENTS – END OF YEAR	<u>6,558,697</u>	<u>5,111,520</u>
CASH AND CASH EQUIVALENTS IS COMPRISED OF:		
Cash	987,686	1,827,223
Term deposits	<u>5,571,011</u>	<u>3,284,297</u>
	6,558,697	5,111,520

⁽¹⁾ These are non-cash items representing the allocation of general and administrative expenses under the continuity of interests basis of accounting described in note 2 and have been provided by Western Uranium Corporation as funding sources and uses of cash of Western Lithium Canada Corporation.

Supplemental disclosure with respect to cash flows (Note 9)

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

WESTERN LITHIUM CANADA CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2009 AND 2008
(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS

Western Lithium Canada Corporation (“Western Lithium” or the “Company”) is a Canadian based resource company focused on the exploration and development of a lithium resource property located in north-western Nevada. The Company was incorporated on November 27, 2007, under Business Corporations Act of the Province of British Columbia as a subsidiary of Western Uranium Corporation (“Western Uranium”). Following the completion of the Plan of Arrangement between the two companies, Western Lithium ceased to be wholly-owned by Western Uranium and became an independent publicly traded company on July 16, 2008. The Company trades on the TSX Venture Exchange under the symbol WLC.

To date, the Company has not generated significant revenues from operations and is considered to be in the exploration stage. The amounts shown as mineral properties and deferred costs represent expenditures incurred to date and do not necessarily represent present or future values. The underlying value of mineral properties and deferred costs are entirely dependent on the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain the necessary financing to complete permitting, development, and future profitable production. The Company considers that it has adequate resources to maintain its core operations for the next year.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”). These financial statements have been prepared on the basis of accounting principles applicable to a “going concern”, which assumes that the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations for the foreseeable future. Based on its current plans, budgeted expenditures, and cash requirements, the Company has sufficient cash to finance its current plans for at least 12 months from the date of approval of the financial statements. These consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue its business.

Western Lithium financial statements for the year ended September 30, 2008 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 results of operations and deficit up to July 16, 2008, include a cumulative \$703,571 allocation of Western Uranium general and administrative expenses. The allocation of general and administrative expenses was calculated on the basis of the ratio of expenditures incurred on the lithium claims located on Western Uranium’s Kings Valley Property as compared to the expenditures incurred on all of Western Uranium 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 may not be indicative of the actual expenses that would have been incurred had the Company been operating as a separate, stand-alone public company for the periods presented and do not reflect the Company’s consolidated results of operations, financial position and cash flows had the Company been the stand-alone public company during the periods presented. The results of operations are not necessarily indicative of the operating results of future years.

WESTERN LITHIUM CANADA CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2009 AND 2008
(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Significant areas requiring the use of management estimates include the determination of environmental obligations, the recoverability of deferred mineral property costs, and the assumptions used in the determination of the fair value of stock based compensation. Actual results may differ from these estimates. By their nature, these estimates are subject to measurement uncertainty and any changes in such estimates in future periods could materially impact the financial statements.

Mineral Properties and Deferred Costs

Direct costs related to the acquisition and exploration of mineral properties held or controlled by the Company are deferred on an individual property basis until the viability of a property is determined. Administration costs and general exploration costs are expensed as incurred. When a property is placed in commercial production, deferred costs will be depleted using the units-of-production method. Management of the Company periodically reviews the recoverability of the capitalized mineral properties. Management takes into consideration various information including, but not limited to, results of exploration activities conducted to date, estimated future metal prices, and reports and opinions of outside geologists, mine engineers and consultants. When it is determined that a project or property will be abandoned then the costs are written-off, or if its carrying value has been impaired, then the mineral properties and deferred costs are written down to fair value.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

From time to time, the Company acquires or disposes of properties pursuant to the terms of option agreements. Options are exercisable entirely at the discretion of the optionee and, accordingly, are recorded as mineral property costs or recoveries when the payments are made or received. After costs are recovered, the balance of the payments received are recorded as a gain on option or disposition of mineral property.

Asset Retirement Obligations

Asset retirement obligations are recognized when a legal or constructive obligation arises. This liability is recognized at the fair value of the asset retirement obligation. When the liability is initially recorded the Company capitalizes the cost by increasing the carrying amount of the related long-lived assets. Over time the liability is accreted to its estimated future value, and the capitalized cost is amortized over the useful life of the related asset. Upon settlement of the liability, the Company may incur a gain or loss. As at September 30, 2009 the Company does not have any asset retirement obligations.

WESTERN LITHIUM CANADA CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2009 AND 2008
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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of Long-lived Assets

The Company has adopted the recommendations of CICA Handbook Section 3063 "Impairment of Long-lived Assets" and abstract EIC 174, "Mining Exploration Costs" ("EIC 174") of the Emerging Issues Committee on a prospective basis. Section 3063 requires that long-lived assets and intangibles to be held and used by the Company be reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If changes in circumstance indicate that the carrying amount of an asset that an entity expects to hold and use may not be recoverable, future cash flows expected to result from the use of the asset and its disposition must be estimated.

EIC 174 provides that an enterprise that is in the development stage with initially capitalized exploration costs but has not established mineral reserves objectively and, therefore, does not have a basis for preparing a projection of the estimated future net cash flow from the property, is not obliged to conclude that the capitalized costs have been impaired. However, such an enterprise should consider whether a subsequent write-down of capitalized exploration costs related to mining properties is required.

Principles of Consolidation

The consolidated financial statements contained herein include the accounts of Western Lithium Canada Corporation and its wholly-owned USA subsidiary, Western Lithium Corporation. All inter-company transactions and balances have been eliminated.

Cash and Cash Equivalents

Cash consists of cash in the bank and highly-liquid short-term investment with an original maturity of less than one year, which, in opinion of management, is subject to an insignificant risk of changes in value. As at September 30, 2009, the Company's cash equivalents are invested in term deposits with the annual interest rates in the range of 0.1% to 0.4% (September 30, 2008 – 1.00% to 2.6%).

Income Taxes

The Company uses the liability method of accounting for future income taxes. Under this method of tax allocation, future income tax liabilities and assets are recognized for the estimated tax consequences attributable to differences between the amounts reported in the consolidated financial statements and their respective tax bases and loss carryforwards, using substantively enacted tax rates and laws that are expected to be in effect in the periods in which the future income tax assets or liabilities are expected to be settled or realized. The effect of a change in income tax rates on future income tax liabilities and assets is recognized in income in the period that the change occurs. Potential future income tax assets are not recognized to the extent that they are not considered more likely than not to be realized.

WESTERN LITHIUM CANADA CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2009 AND 2008
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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation

The Company's activities and those of its subsidiaries denominated in currencies other than Canadian dollars are translated as integrated operations using the temporal method. This method translates monetary balances at the rate of exchange at the balance sheet date, non-monetary balances at historic exchange rates and revenues and expense items at exchange rates in effect when incurred. Gains or losses resulting from changes in exchange rates are included in the determination of income or loss.

Financial Instruments

CICA Section 3855 requires that all financial assets initially measured at fair value, except those classified as held to maturity, and loans and receivables, must be subsequently measured at fair value. All financial liabilities must be subsequently measured at fair value when they are classified as held-for trading; otherwise, they are measured at amortized cost. Investments classified as available-for-sale are reported at fair market value (or marked to market) based on quoted market prices with unrealized gains or losses excluded from earnings and reported as other comprehensive income or loss. When a decline in the fair value of a financial asset is determined to be other-than-temporary, the cumulative loss is recognized in net income. Those instruments classified as held-for-trading, have gains or losses included in earnings in the period in which they arise.

The Company does not use derivative instruments or hedges to manage risks. Transaction costs related to all financial instruments will be expensed in the period incurred.

Cash and cash equivalents have been designated as held-for-trading, receivables have been designated as loans and receivables and accounts payable designated as other financial liabilities. The Company has elected to use settlement date accounting on any regular way contracts.

Loss Per Share

Loss per share is calculated based on the weighted average number of common shares issued and outstanding during the period. The Company uses the treasury stock method to calculate the dilutive effect of options, warrants, and similar instruments. Under this method, the dilutive effect on earnings per share is calculated presuming the exercise of outstanding options, warrants, and other similar instruments. It is assumed that the proceeds of such exercise would be used to repurchase common shares at the average market price during the period. However, in periods when a loss is incurred, the effect of potential issuances of shares under options and warrants would be anti-dilutive, and, therefore, basic and diluted losses per share are the same. Information regarding securities that could potentially dilute basic earnings per share in the future is presented in Note 5.

Comparative figures

Certain of the prior period comparatives have been reclassified to conform to the current year's presentation.

WESTERN LITHIUM CANADA CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Stock - Based Compensation

The Company accounts for stock options granted to directors, officers, employees and non-employees using the fair value method of accounting. Accordingly, the fair value of the options at the date of the grant is determined using the Black-Scholes option pricing model and stock-based compensation is accrued and charged to operations, with an offsetting credit to contributed surplus, on a straight-line basis over the vesting periods. The fair value of stock options granted to non-employees is re-measured at the earlier of each financial reporting or vesting date, and any adjustment is charged or credited to operations upon re-measurement. If and when the stock options are exercised, the applicable amounts of contributed surplus are transferred to share capital. The Company has not incorporated an estimated forfeiture rate for stock options that will not vest; rather the Company accounts for actual forfeitures as they occur.

Share Issue Costs

Commissions paid to underwriters and other related share issue costs, such as legal, auditing, and printing that are directly related to the raising of share capital financing are charged directly to share capital. Costs related to shares not yet issued are recorded as deferred share issue costs. These costs will be deferred until the shares to which the costs relate have been issued, at which time the deferred share issue costs will be charged against share capital. If a financing is not completed in a reasonable period of time or is abandoned, the related deferred costs are charged to operations.

Valuation of equity units issued in private placements

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in the private placements was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, was allocated to the attached warrants.

New Accounting Policies and Standards

General standards on financial statement presentation

Effective October 1, 2008, the Company adopted the recommendations in CICA Handbook Section 1400, *General Standards of Financial Statements Presentation*, which includes requirements to assess an entity's ability to continue as a going concern; disclosure of material uncertainties relate to events or conditions that may cast doubt upon the entity's ability to continue as a going concern; disclosure of when financial statements are not prepared on a going concern basis, together with the basis on which the financial statements are prepared, and the reason why the entity is not regarded as a going concern. Disclosures required by this standard are included in Note 1 and Note 2.

WESTERN LITHIUM CANADA CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill and Intangible Assets

Effective October 1, 2008, the Company adopted the recommendations in CICA Handbook Section 3064, which replaces Section 3062, *Goodwill and Other Intangible Assets* and Section 3450, *Research and Development Cost*. This new section establishes standards for the recognition, measurement, presentation, and disclosure of goodwill subsequent to its initial recognition and of intangible assets. Standards concerning goodwill remain unchanged from the standards included in the previous Section 3062. Adoption of this section had no impact on the Company's financial results.

Credit Risk and Fair Value of Financial Assets and Financial Liabilities

In January 2009, the CICA issued Emerging Issues Committee ("EIC") Abstract 173 entitled *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities* ("EIC - 173"). EIC-173 provides guidance on how to take into account credit risk of an entity and counterparty when determining the fair value of financial assets and financial liabilities, including derivative instruments. EIC- 173 is applicable to the Corporation's interim and annual financial statements for periods ending on or after January 20, 2009. The Company has evaluated the new guidance and determined that the adoption of these new requirements has not had an impact on the Company's consolidated financial statements.

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 October 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended September 30, 2011. The Company is currently engaged in the scoping phase of its conversion which involves a high level review of major differences between Canadian GAAP and IFRS, setting a timeline for resources and developing a project plan. This scoping phase is intended to provide direction to the Company's management for the second phase of conversion project and will be disclosed in the Company's 2010 annual financial statements and management's discussion and analysis. The company continues to monitor and assess the impact of convergence of Canadian GAAP and IFRS.

Business Combinations, Consolidated Financial Statements and Non-Controlling Interests

The CICA issued three new accounting standards in January 2009: Section 1582, *Business Combinations*, Section 1601, *Consolidated Financial Statements*, and Section 1602, *Non-Controlling Interests*. Section 1582 replaces Section 1581 "Business Combinations" and establishes standards for the accounting for business combinations. It provides the Canadian equivalent to *International Financial Reporting Standards IFRS 3 "Business Combinations"*.

WESTERN LITHIUM CANADA CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

The section applies prospectively to the business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Sections 1601 and 1602 together replace Section 1600 “Consolidated Financial Statements”. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1601 applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Section 1602 provides guidance on accounting for any non-controlling interests subsequent to a business combination. Section 1602 is to be implemented concurrently with section 1582, *Business Combinations*. It is equivalent to the corresponding provisions of *International Financial Reporting Standard IAS 27 “Consolidated and Separate Financial Statements”* and applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company will consider the impact of adopting these pronouncements on its financial statements if future acquisitions are completed.

3. ARRANGEMENT WITH WESTERN URANIUM CORPORATION

On July 16, 2008 the Company closed its statutory plan of arrangement (the “Arrangement”) with its parent company, Western Uranium Corporation. All transaction costs with respect to the Arrangement were expensed during the period.

As part of the Arrangement, the Company subdivided its share capital on a 35,000,000 for one basis. 19,734,361 of the Company’s shares were distributed to Western Uranium shareholders of record as of June 19, 2008 receiving one Western Lithium share for every three Western Uranium shares held.

As part of the arrangement, Western Lithium also completed a brokered private placement (the “Private Placement”) of 16,220,000 common shares of Western Lithium at a price of \$0.50 per share for gross proceeds of \$8,110,000. The Private Placement further diluted Western Uranium interest of 15,209,393 common shares in Western Lithium which represents approximately 29.8% of the issued and outstanding shares of Western Lithium as at September 30, 2008. On completion of the Arrangement, the Company is no longer controlled by Western Uranium.

As part of the Arrangement, Western Lithium entered into a loan agreement (the “Loan”) with Western Uranium to fund the exploration program on its property and received \$2,098,550 during the year ended September 30, 2008. The Loan bore interest of 5% per annum. The Company repaid the loan upon completion of the Private Placement and incurred interest expense of \$66,448 on the loan amount.

Contribution from Western Uranium Corporation

Included in contributed surplus for the year ended September 30, 2008 is the amount of non-cash contribution from Western Uranium representing the allocation of general and administrative expenses under the continuity of interests basis of accounting described in note 2.

	\$
Balance as at September 30, 2007	63,038
Funding provided by Western Uranium to July 16, 2008	640,533
Balance as at September 30, 2008	703,571

WESTERN LITHIUM CANADA CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2009 AND 2008
(Expressed in Canadian Dollars)

4. MINERAL PROPERTIES AND DEFERRED COSTS

Kings Valley Property, Nevada, USA

In December 2007, the Company and Western Uranium entered into a mining lease and option to purchase agreement (the "Lease Agreement") through their subsidiaries, Western Lithium USA (100% owned by the Company) and Western Energy Development Corp. (100% owned by Western Uranium), pursuant to which Western Uranium granted to the Company 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 agreement.

In consideration for the Exploration Right, the Company must pay to Western Uranium US\$25,000 (paid), US\$50,000 (paid) on the first anniversary of the effective date of the Lease Agreement, US\$75,000 (note 13) 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 Company has agreed to pay to Western Uranium a Net Smelter Returns Royalty of 1.5% and a Net Profits Royalty equal to 3.5%.

Kings Valley Property	2009	2008
	\$	\$
Acquisition costs		
Balance, beginning of year	88,569	14,799
Additions	<u>141,622</u>	<u>73,770</u>
Balance, end of year	<u>230,191</u>	<u>88,569</u>
Deferred exploration costs incurred during the year:		
Drilling	456,624	1,463,834
Environmental	74,962	68,659
Geological and consulting	791,966	276,261
Mapping, supplies and other	100,027	84,019
Geochemistry, assays and sampling	56,503	131,113
Metallurgy and lab costs	<u>1,302,494</u>	<u>141,154</u>
Total deferred exploration costs	2,782,576	2,165,040
Balance, beginning of year	<u>2,369,123</u>	<u>204,083</u>
Balance, end of year	<u>5,151,699</u>	<u>2,369,123</u>
Total mineral property costs	5,381,890	2,457,692

Included in metallurgy and lab costs are fees paid to a metallurgical lab for the testing and flow sheet development according to a contract entered in 2008. During 2009, the Company changed the scope of work of the lab and paid an early termination fee of \$437,700 (US\$375,000) to compensate the lab for the cost of initial set up and equipment. The termination fee was expensed to operations.

WESTERN LITHIUM CANADA CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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5. SHARE CAPITAL AND CONTRIBUTED SURPLUS

	Number of shares	Amount, \$	Contributed Surplus, \$
Authorized			
Unlimited common shares without par value			
Issued			
As at November 27, 2007 (Incorporation)	1	-	-
Spin-off arrangement with Western Uranium Corporation	34,999,999	-	-
Private placement	16,220,000	8,110,000	-
Contribution from Western Uranium Corporation (note 3)	-	-	703,571
Share issuance costs	-	(356,607)	-
Stock-based compensation	-	-	1,211,994
As at September 30, 2008	51,220,000	7,753,393	1,915,565
Private placement	11,000,000	5,500,000	-
Share issuance costs	-	(316,227)	-
Exercise of stock options	63,750	32,175	-
Fair value of stock options exercised	-	24,675	(24,675)
Exercise of share purchase warrants	800,000	480,000	-
Fair value of finders' and agents' warrants	-	(120,608)	120,608
Stock-based compensation	-	-	1,598,861
As at September 30, 2009	63,083,750	13,353,408	3,610,359

During the year ended September 30, 2009, the Company:

- a) completed a brokered private placement for 11,000,000 units at a price of \$0.50 per unit for gross proceeds of \$5,500,000 (net \$5,183,773). Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase an additional common share for a period of 2 years at an exercise price of \$0.60 per share.

In connection with the private placement, the Company paid a cash commission and a corporate finance fee of \$155,000 and issued 310,000 agents' warrants. In addition, the Company paid a finders' fee of \$85,000 and issued 170,000 finders' warrants. Agents' and finders' warrants entitle the holder to purchase one common share for a price of \$0.60 per share until May 6, 2010. The agents' and finders' warrants were valued using the Black-Scholes Option Pricing Model. The warrants were valued at \$0.25 per warrant for total value of \$120,608 and have been recorded as share issue costs with a corresponding increase to contributed surplus. The fair value of warrants granted was estimated on the date of grant using the Black-Scholes Option Pricing Model with the following assumptions: risk-free interest rate of 0.84%, expected volatility of 110%, expected life 1 year, and expected dividend rate of 0%. The Company incurred an additional \$76,227 of share issue costs in relation to the financing;

WESTERN LITHIUM CANADA CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2009 AND 2008
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5. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

- b) issued 800,000 common shares for proceeds of \$480,000 pursuant to the exercise of common share purchase warrants;
- c) issued 63,750 common shares for gross proceeds of \$32,175 pursuant to the exercise of stock options;
- d) as at September 30, 2009, held in escrow 9,125,636 shares pursuant to the Escrow Agreement dated June 19, 2008, (the "Agreement") between the Company, Computershare, and Western Uranium Corporation. According to the Agreement, 2,281,409 of these shares are released every 6 months. The next scheduled release is on January 16, 2010, and the last release is on July 16, 2011.

During the year ended September 30, 2008, the Company:

- a) upon incorporation, issued 1 share at nominal value to Western Uranium;
- b) as part of the spin-out Arrangement, subdivided its share capital on a 35,000,000 for one basis;
- c) 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. The agent for the offering received a cash commission of \$283,850 and a financial services fee of \$25,000 plus GST. The Company incurred additional \$47,757 in related share issue costs.

Warrants

A summary of the number of common shares reserved pursuant to the Company's share purchase warrants and agents' and finders' warrants outstanding at September 30, 2009 and 2008, is as follows:

	Number of Warrants	Weighted Average Exercise Price, \$	Expiry Date
Balance, September 30, 2007	-	-	
Issued	931,040	3.18	August 29, 2008
Expired	(931,040)	3.18	August 29, 2008
Balance, September 30, 2008	-	-	
Issued	11,000,000	0.60	May 6, 2011
Exercised	(800,000)	0.60	May 6, 2011
Issued	480,000	0.60	May 6, 2010
Balance, September 30, 2009	10,680,000	0.60	

WESTERN LITHIUM CANADA CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2009 AND 2008
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5. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

Stock options

The Company has a stock option plan in accordance with the policies of 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, being approximately 20% of the issued and outstanding share capital at the time of completion of the spin-out Arrangement with Western Uranium Corporation. The exercise price of each option is based on the market price of the Company's common stock at the date of the grant. The options can be granted for a maximum term of 5 years.

A summary of the status of the Company's stock options as of September 30, 2009 and 2008, and changes during the years then ended is presented below:

	Number of Options	Weighted Average Exercise Price, \$
Balance, outstanding – September 30, 2007	-	-
Granted	5,825,000	0.50
Balance, outstanding – September 30, 2008	5,825,000	0.50
Granted	2,155,000	0.47
Exercised	(63,750)	0.51
Expired or cancelled	-	-
Balance, outstanding – September 30, 2009	7,916,250	\$ 0.50

On October 16, 2008, the Company granted 1,600,000 incentive stock options at \$0.45 per share. Of the 1,600,000 options, 1,100,000 will vest over a period of 18 months in accordance with the minimum vesting requirements of the Company's stock option plan. The remaining 500,000 options will vest in two tranches, with the first tranche vesting 2 years from the date of grant and the second tranche vesting in the third year from the date of grant.

On March 18, 2009, the Company granted a total of 555,000 incentive stock options to certain employees and consultants to acquire 555,000 common shares at \$0.54 per share.

The fair value of stock options granted during the year ended September 30, 2009, is estimated using Black-Scholes Option Pricing Model with the following assumptions:

	March 18, 2009	October 16, 2008
Risk-free interest rate	1.43%	2.92%
Expected life	5 years	5 years
Annualized volatility	100%	100%
Dividend rate	0.00%	0.00%
Total fair value of stock options granted	\$ 244,200	\$ 608,000
Weighted average fair value per option	\$ 0.44	\$ 0.38

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5. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

Stock options outstanding and exercisable as at September 30, 2009, are as follows:

Number of Options Outstanding	Number of Options Exercisable	Exercise Price, \$	Expiry Date
5,668,750	4,237,500	0.50	June 6, 2013
100,000	75,000	0.72	August 11, 2013
1,600,000	550,000	0.45	October 16, 2013
547,500	270,000	0.54	March 17, 2014
7,916,250	5,132,500		

During the year ended September 30, 2009, stock-based compensation expense of \$1,598,861 was charged to operations and credited to contributed surplus to reflect the fair value of stock options vested during the period. At September 30 2009, \$234,880 of the fair value of stock options previously granted but not yet vested remains to be expensed in fiscal 2010; \$33,646 in 2011; \$1,319 in 2012.

During the year ended September 30, 2008, the Company granted a total of 5,825,000 incentive stock options to directors, officers and consultants to acquire 5,825,000 common shares. The fair value of stock options granted is estimated on the dates of grants using the Black-Scholes Option Pricing Model with the following assumptions used for the grants: risk-free interest rate range of 3.12 – 3.22%, estimated volatility 100%, expected life of 5 years, and expected dividend yield of 0%. The weighted average fair value of stock options granted during the period was \$0.38 per option.

During 2008, stock-based compensation of \$1,468,821 was charged to operations and credited to shareholder's equity to reflect the fair value of stock options vested during the period.

Option pricing models require the input of highly subjective assumptions regarding the expected volatility. Changes in assumptions may affect the fair value estimate; therefore, the existing models do not necessarily provide a reliable measure of the fair value of the Company's stock options at the date of grant.

6. RELATED PARTY TRANSACTIONS

During 2007, the Company entered into a Mining Lease and Option Agreement with Western Uranium Corporation, with which it has two common directors (Note 3).

Included in consulting fees for the year ended September 30, 2009 is \$Nil (2008 - \$115,075) paid to a company controlled by a Director for the executive search fees.

As at September 30, 2009, accounts payable and accrued liabilities include \$25,756 (September 30, 2008 - \$Nil) payable to an officer of the Company for reimbursement of travel expenses.

The related party transactions incurred during the year were in the normal course of operations and were measured at the exchange value, which represented the amount of consideration established and agreed by the related parties.

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7. SEGMENTED INFORMATION

The Company operates in one business segment, being the acquisition and exploration of mineral properties. The Company is in the exploration stage and, accordingly, has no reportable segment revenues or operating results for each of fiscal 2009 and 2008.

The Company's total assets are segmented geographically as follows:

	September 30, 2009		
	Canada \$	United States \$	Total \$
Current assets	5,932,203	753,095	6,685,298
Deferred share issue costs	25,725	-	25,725
Mineral properties and deferred costs	-	5,381,890	5,381,890
	5,957,928	6,134,985	12,092,913

	September 30, 2008		
	Canada \$	United States \$	Total \$
Current assets	3,477,543	1,656,700	5,134,243
Mineral properties and deferred costs	-	2,457,692	2,457,692
	3,477,543	4,114,392	7,591,935

8. COMMITMENTS

- a) Mineral properties (Note 4);
- b) The Company has committed to rent office space in the amount of \$29,250 during fiscal 2010.

9. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

During the year ended September 30, 2009, the company had the following significant non-cash transactions:

- a) included \$620,394 (2008 - \$65,197) of accounts payable related to the mineral property expenditures in investing activities;
- b) recorded \$120,608 (2008 - \$Nil) as share issue costs and increase to contributed surplus which represents the fair value assigned to warrants granted to finders and agents for financing incurred during the year;
- c) allocated \$24,675 (2008 - \$Nil) to capital stock from contributed surplus for the fair value of stock options exercised.

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10. INCOME TAXES

A reconciliation of income taxes at Canadian statutory rates with reported taxes is as follows:

	2009 \$	2008 \$
Loss for the year	<u>(3,422,479)</u>	<u>(2,149,611)</u>
Expected income tax recovery	(1,031,193)	(640,584)
Item not deductible for income tax purposes	432,232	438,845
Change in tax rates and other	(11,609)	(18,564)
Change in valuation allowance	<u>610,570</u>	<u>220,303</u>
Future income tax (expense)/recovery	<u>-</u>	<u>-</u>

The significant components of the Company's future income tax assets are as follows:

	September 30, 2009 \$	September 30, 2008 \$
Future income tax assets/(liabilities)		
Financing costs	116,736	71,321
Operating loss carryforward	<u>825,352</u>	<u>260,197</u>
	942,088	331,518
Valuation allowance for future income tax asset	<u>(942,088)</u>	<u>(331,518)</u>
	<u>-</u>	<u>-</u>

The Company has Canadian non-capital loss carryforwards of \$2,000,887 that may be available for tax purposes. These losses expire in 2028 and 2029.

The Company has US non-capital loss carryforwards of US\$870,903 that may be available for tax purposes. These losses expire between 2028 and 2029.

11. FINANCIAL INSTRUMENTS

The Company adopted the CICA Handbook section 3855 "Financial Instruments – Recognition and Measurement" and designated its financial instruments as follows:

- i) Cash and cash equivalents are classified as "*Held-for-trading*". Their carrying values are equal to its fair values;
- ii) Accounts receivable are classified as "*Loans and Receivables*". These financial assets are recorded at values that approximate their amortized cost using the effective interest method; and

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11. FINANCIAL INSTRUMENTS (continued)

- iii) Accounts payable and accrued liabilities are classified as “*Other Financial Liabilities*”. These financial liabilities are recorded at values that approximate their amortized cost using the effective interest method.

The Company may be exposed to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives. The Company manages risks to minimize potential losses. The main objectives of the Company’s risk management process are to ensure that the risks are properly identified and that the capital base is adequate in relation to those risks. The principal risks to which the Company is exposed are described below.

Financial Instruments Risk Exposure

Credit risk

Credit risk is the risk that a client or vendor will be unable to pay or receive any amounts owed or owing by the Company. Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash and cash equivalents. The Company’s maximum exposure to credit risk for cash and cash equivalents is the amount disclosed in the balance sheet. The Company limits its exposure to credit loss by placing its cash with major financial institutions and invests only in short-term obligations that are guaranteed by the Canadian government or by Canadian chartered banks.

The Company’s accounts receivable consists mainly of goods and services tax (GST) due from the Federal Government of Canada.

Management believes that the credit risk concentration with respect to financial instruments included in cash, cash equivalents and receivables is minimal.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company’s approach to managing liquidity is to evaluate current and expected liquidity requirements under both normal and stressed conditions to ensure that it maintain sufficient reserves of cash and cash equivalents or have an available credit facility to meet its liquidity requirements in the short and long term. As the industry in which the Company operates is very capital intensive, the majority of the Company’s spending is related to its capital programs. The Company prepares annual budgets, which are regularly monitored and updated as considered necessary.

As at September 30, 2009, the Company had cash and cash equivalents balance of \$6,558,697 (2008 - \$5,111,520) to settle current liabilities of \$764,274 (2008 - \$135,626). All of the Company’s financial liabilities are classified as current and are anticipated to mature within this fiscal period. The Company intends to settle these with funds from its positive working capital position.

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11. FINANCIAL INSTRUMENTS (continued)

Market risk

Market risk incorporates a range of risks. Movement in risk factors, such as market price risk and currency risk, affect the fair values of financial assets and liabilities. The Company is exposed to these risks as the ability of the Company to develop or market its properties and the future profitability of the Company is related to the market price of certain minerals.

i) Foreign currency risk

All current assets and liabilities of the Company, except cash and cash equivalents of \$4,232,631, receivables of \$6,877, prepaid expenses and deposits of \$42,222, and accounts payable and accrued liabilities of \$137,513, are denominated in US dollars and have been translated at a value of 1.0707 Canadian dollars to \$1.00 US dollar. If the US dollar appreciated by 1% in relation to Canadian dollar, the Company's net income would have increased by approximately \$18,323.

ii) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. Price risk is not significant since the company is not a producing entity.

iii) Interest rate risk

The Company 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. If the interest rate on the Company's cash maintained in the financial institutions decreased by 1%, the Company's loss would have increased by approximately \$65,590. The interest rate risk on cash and cash equivalents is not considered significant.

12. CAPITAL DISCLOSURE

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and development of its mineral properties and to maintain a flexible capital structure. The capital structure of the Company consists of equity attributable to common shareholders, comprised of issued capital, contributed surplus, and deficit. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets.

The property in which the Company currently has an interest is in the exploration stage. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed and if available.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the period.

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13. SUBSEQUENT EVENTS

Subsequent to September 30, 2009, the Company:

- a) fulfilled its US\$75,000 option payment to Western Uranium Corporation for Kings Valley property (note 4);
- b) issued 375,000 common shares pursuant to the exercise of an equivalent number of stock options for gross proceeds of \$187,500;
- c) issued 768,700 common shares pursuant to the exercise of an equivalent number of share purchase warrants for gross proceed of \$461,220;
- d) issued 115,600 commons shares pursuant to the exercise of agent's and finders' warrants for gross proceed of \$69,360;
- e) granted 1,300,000 incentive stock options to directors, officers, employees, and consultants of the Company. Each option entitles the holder to purchase one commons share of the Company at a price of \$1.28 per share until November 2, 2014. These options will vest over a period of 18 months in accordance with the minimum vesting requirements of the Company's stock option plan. The fair value of stock options granted is estimated at \$1.10 per option for a total expense of \$1,430,000 and will be amortized and expensed as stock-based compensation over the vesting term. The fair value of these options were estimated using Black-Scholes pricing model with the following assumptions: risk-free interest rate of 2.4%, estimated volatility 128%, expected life of 5 years, and expected dividend yield of 0%;
- f) granted 200,000 incentive stock options to newly appointed Sr. Vice President, Project Development of the Company. Each option entitles the holder to purchase one common share of the Company at a price of \$1.43 per share until December 14, 2014. These options will vest over a period of 18 months in accordance with the minimum vesting requirements of the Company's stock option plan. The fair value of stock options granted is estimated at \$1.20 per option for a total expense of \$240,000 and will be amortized and expensed as stock-based compensation over the vesting term. The fair value of these options were estimated using Black-Scholes pricing model with the following assumptions: risk-free interest rate of 2.31%, estimated volatility 122%, expected life of 5 years, and expected dividend yield of 0%;
- g) completed a private placement of an aggregate of 17,476,000 units at a price of \$0.95 per unit for aggregate gross proceeds to the Company of \$16,602,200 (net \$15,650,681). Each unit is comprised of one common share and one-half of a common share purchase warrant. Each whole warrant will entitle the holder thereof to purchase an additional common share for a period of eighteen months at a price of \$1.25 per warrant. Western Uranium Corporation purchased 1,476,000 units in the private placement.

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13. SUBSEQUENT EVENTS (continued)

In connection with the private placement, the Company paid to Agents cash commission of \$897,294 and granted 944,520 compensation options. Each compensation option is exercisable to purchase one common share of the Company for a price of \$0.95 for a period of eighteen months, subject to adjustment in certain event. The fair value of the compensation options granted is estimated at \$0.74 per option for a total expenses of \$698,945 that will be recorded as share issue costs with a corresponding increase to contributed surplus. The fair value of options were estimated using Black-Scholes pricing model with the following assumptions: risk-free rate of 1.55%, estimated volatility 128%, expected life of 18 months, and expected dividend yield of 0%. In addition, a finder's fee totaling \$28,500 was paid in respect of the issue and sale of 750,000 units for which the Agents were not paid in cash commission.

All of the securities issued pursuant to the private placement, including share issued upon exercise of the warrants and compensation options, are subject to a four-month hold period expiring on February 15, 2010.