

WESTERN LITHIUM CANADA CORPORATION MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE MONTHS ENDED DECEMBER 31, 2008

Background

The following discussion and analysis of financial position and results of operations, prepared as of February 24, 2009, should be read together with the Company's interim consolidated financial statements for the three months period ended December 31, 2008 and audited consolidated financial statements for the years ended September 30, 2008 and 2007 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 statements are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking statements, including, without limitation, risks and uncertainties relating to foreign currency fluctuations; risks inherent in lithium exploration, development and processing including environmental hazards, industrial accidents, unusual or unexpected geological formations, risks associated with the estimation of resources and reserves and the geology, the possibility that future exploration, development or exploration 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; the inherent uncertainty of future production and cost estimates and the potential for unexpected costs and expenses, commodity demand growth and 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 under Risk Factors in the Company's Information Circular that can be found on the SEDAR website. 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; that the Company can access financing, appropriate equipment and sufficient labour. 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 forward-looking statements. Accordingly, readers are advised not to place undue reliance on forward-looking statements.

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, Nevada from Western Energy Development Corp, and 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.

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 economically mineable deposits. The geological focus of the Company is on areas in which the geological setting is understood by management.

Trends

The Company is developing a large lithium deposit in Nevada. One of the primary uses of lithium today is in lithium-ion batteries for cell phones, laptop computers and other electronic devices that require maximum storage capacity with minimum weight. The overall lithium carbonate market is projected to grow significantly over the next several years due to continued growth from the electronics industry and new growth from the hybrid/electric automotive industry.

The production of lithium is highly concentrated with the majority coming from South America. SQM of Chile dominates the world market with close to a third of world production. Rising world demand has led to increased prices and new sources of lithium carbonate are being developed.

Resource Properties

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 northwestern Nevada approximately 100 km north-northwest of Winnemucca and 40 km west-northwest of Orovada, Nevada. A non-compliant NI-43-101 historical resource produced by Chevron Resources estimated 24 billion pounds of lithium carbonate equivalent (LCE) is contained on the property. Mineralization is located in five pods with the southern most lens of mineralization, the PCD lens, located in close proximity to infrastructure which includes a paved state highway and power lines. During the past year WLC has completed 45 in-fill and confirmation drill holes on the Stage I (PCD) Lens, plus an additional 6 holes primarily for additional samples for metallurgical testing, undertaken bench scale metallurgical testing and has initiated additional metallurgical and process testing on both the bench and pilot scale levels. A National Instrument 43-101 resources estimate has been completed and filed for the Stage I (PCD) lens.

Kings Valley Lithium Project

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 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 Company's lithium project is located in Humboldt County in northern Nevada, approximately 100 km north-northwest of Winnemucca and 40 km west-northwest of Orovada, Nevada. The area is sparsely populated ranching land and covers approximately 40,000 acres. Access to the project is via paved road (U.S. Highway 95) north from Winnemucca to Orovada and then west on paved state highway 293 to the project area. Local access is via numerous gravel and dirt roads.

Northern Nevada has a high desert climate with cold winters and hot summers. Elevations are 1,225 to 2,150 m (4,000 to 7,000 feet). Snow can fall from October to May, but typically melts quickly in the early fall or late spring. Nearby mining operations operate continuously through the winter. Vegetation consists of sagebrush and grasslands at all elevations.

Because of the large-scale mining in the Winnemucca area, local resources offer much of the infrastructure and support required by mining. The area is about 30 km north of the now depleted Sleeper gold mine and 100 km northwest of Twin Creeks, Turquoise Ridge, and Getchell gold mines. Several other gold and copper mines operate in the regional area providing an experienced work force and adequate support for mining operations. Electrical power is available as lines run approximately 0.5 kilometers to the south of one of the lens of mineralization. Roads are in generally good repair and are all season roads but may be closed for short periods due to extreme weather in the winter. Access to rail lines is provided in Winnemucca.

43-101 Report

A NI 43-101 compliant report on the project has been completed by AMEC E&C Services Limited (AMEC) in early 2009. The Stage I (PCD) lens contains Indicated Resources of 48.1 million tonnes grading 0.27% lithium, or the lithium carbonate equivalent (LCE) of 688,000 tonnes LCE and Inferred Resources of 42.3 million tonnes grading 0.27% lithium, for an equivalent of 606,000 tonnes LCE, both at a cut-off grade of 0.20% Lithium. This tonnage would potentially support Stage I production envisioned as 20,000 tonnes per year LCE at Kings Valley.

In addition to this new resource estimate, the Kings Valley property hosts a non-compliance NI 43-101 resource of approximately 11 million tonnes of lithium carbonate based on exploration work by Chevron Resources during the 1970's and 1980's. The Chevron exploration identified five lithium bearing hectorite clay lenses. The Stage I (PCD) lens, was chosen by Western Lithium as the lens with the greatest first stage development potential due to its close proximity to road access and power. In 2007-2008, Western Lithium drilled 37 core and 8 RC holes at the Stage I (PCD) lens to confirm previous Chevron work and bring the resource to conformity with NI 43-101 standards, and to carry out further scoping studies. The new Stage I (PCD) resource estimate compares closely to the previous Chevron resource for the PCD lens. Further engineering work is now underway to determine scoping level economics, expected later this year, to process the lithium bearing clay and determine an optimal process flow sheet for development.

Resource Modeling

AMEC completed a review of lithium exploration work on the Kings Valley property in Humboldt County, Nevada and has developed lithium mineral resource estimate for the Stage I (PCD) area that conforms to Canadian National Instrument 43-101, Standards of Disclosure for Mineral Projects of the Canadian Securities Administrators. Table 1 presents the mineral resource for the Stage I (PCD) area, Kings Valley property, at a base case cut-off grade of 0.20% Li. AMEC is of the opinion that exploration potential exists at the Kings Valley property to increase the resource with additional drilling. The resource estimate was made from a three-dimensional (3D) block model utilizing commercial mine planning software, (MineSight®). This is the first time an electronic mine planning software package has been used for Kings Valley lithium resource estimation.

Resources are summarized by Inferred Mineral Resource and Indicated Mineral Resource categories. Economic assumptions were used to generate an economic cone using Datamine® NPV Scheduler and all resources are within the cone.

The Stage I (PCD) lens is the southernmost mineralized lens on the property and appears to be the smallest of the known mineralized areas. The Stage I (PCD) lens comprises relatively unaltered volcanoclastic sandstone and claystones which are the dominant rock types. Lithium-rich beds are generally 1 to 10 m thick with some areas as much as 60 m thick. Colluvium as thick as 10 m covers much of the area. Recent drilling by Western Lithium shows that the average thickness of Li mineralization is much thicker than indicated by Chevron data because many of the Chevron holes stopped in mineralization.

Environmental and Permitting Studies

The Kings Valley property is located in Nevada which has a long history in the metals and industrial mineral mining industry. Approximately 50 major mines are currently in production in the state of Nevada, with several large scale gold mines in the surrounding region of Kings Valley.

Western Lithium is working closely with the U.S. Bureau of Land Management and the Nevada Department of Environmental Protection towards the permitting of the Kings Valley property for mining and processing of the lithium bearing clays. The project supports the new energy independence policies coming from the new Washington administration and the development of new energy efficient electric/hybrid cars by domestic and international manufacturers.

Table 1: Kings Valley Stage I (PCD Lens) Mineral Resources

Kings Valley PCD Area Indicated Mineral Resources, 0.20% Li Cutoff*			
Cutoff Li %	Tons	Li %	Contained lbs Li
0.025	85,856,000	0.226	388,000,000
0.050	85,559,000	0.227	388,000,000
0.075	84,824,000	0.228	388,000,000
0.100	83,413,000	0.231	386,000,000
0.125	80,637,000	0.235	378,000,000
0.150	75,294,000	0.242	364,000,000
0.175	65,681,000	0.253	332,000,000
0.200	53,019,000	0.269	284,000,000
0.225	39,332,000	0.288	226,000,000
0.250	28,406,000	0.308	176,000,000
0.275	20,103,000	0.327	132,000,000
0.300	13,693,000	0.346	94,000,000
0.325	8,823,000	0.365	64,000,000
0.350	5,176,000	0.385	40,000,000
0.375	2,589,000	0.410	22,000,000
Kings Valley PCD Area Inferred Mineral Resources, 0.20% Li Cutoff*			
Cutoff Li %	Tons	Li %	Contained lbs Li
0.025	82,706,000	0.216	358,000,000
0.050	80,100,000	0.222	356,000,000
0.075	78,887,000	0.225	354,000,000
0.100	77,165,000	0.228	352,000,000
0.125	73,656,000	0.233	344,000,000
0.150	68,791,000	0.240	330,000,000
0.175	59,466,000	0.252	300,000,000
0.200	46,645,000	0.269	252,000,000
0.225	33,471,000	0.291	196,000,000
0.250	23,074,000	0.317	146,000,000
0.275	17,509,000	0.334	116,000,000
0.300	11,407,000	0.358	82,000,000
0.325	7,684,000	0.381	58,000,000
0.350	4,735,000	0.408	38,000,000
0.375	3,154,000	0.432	28,000,000

*Inferred tons within 700 ft. of nearest drill hole, Indicated tons 2 drill holes within 660 ft., 1 within 470 ft.;

Contained metal does not allow for mine and metallurgical recovery; 17.8 ft³/ton tonnage factor used;

Economic assumptions for cutoff grade, \$3.50 Lithium Carbonate USD/lb, 60% metallurgical recovery, \$45 USD/ton processing, \$2 USD/ton Mining;

Rounding errors may exist.

Quality Assurance and Quality Control Program

Quality assurance-quality control (QA-QC) by Western Lithium consists of standard samples, blank analyses, duplicate analyses and check assays. Duplicate analyses were performed on pulp samples at American Assay Laboratories (“AAL”).

Those samples were prepared and analyzed in the same batch as the original sample. Check assays were performed two ways. A portion of the samples were sent to Hazen Research in Golden, Colorado for analysis and all samples were analyzed by both AA and ICP at AAL.

Qualified Person

Mark Hertel, P. Geo. and Ted Eggleston Ph.D., P. Geo. both Independent Qualified persons as defined by National Instrument 43-101 prepared this Technical Report, titled Kings Valley Lithium Project, Humboldt County, Nevada, USA NI 43-101 Technical Report, dated 15 December 2008, for the Kings Valley Lithium Property as of 15 December 2008.

History

Chevron Resources began exploration for uranium in Nevada in the McDermitt Caldera area in 1975. In September 1977, the U.S. Geological Survey alerted Chevron to the presence of anomalous concentrations of lithium associated with volcanoclastic moat sediments within the caldera. Based on the information from the USGS, Chevron analyzed drill cuttings from rotary percussion drill holes drilled in 1977 in the moat sediments for lithium. Hole number MJB-7-4 averaged one hundred and forty feet of 0.278% Li; MJB-7-5 averaged eighty five feet of 0.236% Li. These results confirmed the presence of significant lithium hosted by a massive, green claystone within the moat sediment section.

In 1979 as Chevron continued evaluating the uranium resource, 34 rotary percussion holes were drilled to evaluate selected tailings disposal sites for anticipated uranium production. Those holes were drilled to test the thickness of the clays, to obtain samples of the clay for engineering analysis, and to further investigate the lithium resource potential. Results were encouraging with respect to the level and consistency of the lithium contained by the clays. In 1980 and 1981, four core holes were drilled to obtain uncontaminated and undisturbed samples to more effectively determine lithium grades. After logging and analysis of the first two core holes, a portion of the core was sent to Chevron Research Company (CRC). CRC was charged with finding an economic process for extracting lithium from the clays.

During the period of 1982 through 1987, Chevron drilled an additional 223 holes composed of both core and conventional rotary on lithium targets and conducted extensive metallurgical testing of the hectorite ores to determine amenability of the ores to extraction of lithium.

In 1985, Chevron produced polygonal resource estimates of the lithium at McDermitt (Table 5). A cutoff grade of 0.25% Li, minimum thickness of 5 feet (1.52 m), and a minimum 9.0 ft Grade Thickness (GT) were used for the estimate. The tonnage factor used was 17.8 ft³/short ton (1.8 g/cm³). The lithium resource is hosted in five pods of mineralization that Chevron designated the North, North Central, South Central, and PCD lenses that contain 2.276 million short tons of lithium or an equivalent of 12.1 million tons lithium carbonate. This estimate is not current and is not considered NI 43-101 compliant and is included here for historical purposes only.

Summary of 1985 Chevron Resources at McDermitt Caldera (M st = million short tons)

Lens	Number of Holes	Area (Acres)	Deposit Thickness (ft)	Deposit Thickness (m)	Waste Thickness (ft)	Waste Thickness (m)	Average Grade (%Li)	Deposit Tons (M st)	Li Tons (M st)
North	21	1,364	59	18.0	64	19.5	0.31	196	0.602
North Central	10	372	66	20.1	41	12.5	0.34	60	0.207
South Central	7	230	53	16.2	23	7.0	0.37	37	0.134
South	52	2,432	59	18.0	43	13.1	0.33	353	1.171
PCD	6	332	59	18.0	56	17.1	0.34	48	0.162
Total	96	4,730					0.33	694	2.276

In 1991, Chevron, U.S.A., sold their interest in the claims to Cyprus Gold Exploration Corporation. In 1992, it appears that Cyprus Gold Exploration Corporation allowed the claims to lapse and provided much of the exploration data to one of the claim owners from which they had leased claims.

Western Energy Development Corp., the US subsidiary of Western Uranium Corporation, leased 33 claims in 2005 and the owner provided Western Energy access to the available Chevron data that included material on both the uranium and the lithium resources. Recognizing the potential significance of the lithium resource and the prospectivity the ground provided for hosting additional uranium resources, in 2005, Western Energy staked 1634 federal lode claims covering the prospective areas. These claims cover much the same area as the original Chevron Claims.

During the early part of 2007 Western Uranium recognized the potential market for an increased demand in lithium with the development of lithium battery powered vehicles and made the decision to spin the asset out into an independently controlled company; Western Lithium Corporation. During the later half of 2007 into 2008 Western Lithium began a number of studies and activities that included the drilling of 45 core, additional 6 holes drilled primarily for additional samples for metallurgical testing, and reverse circulation holes on the PCD lens to verify and provide infill data on a pod of mineralization that is hosted in close proximity to a paved road and power. In addition to the drilling, preliminary marketing studies were initiated during 2007 along with bench scale metallurgical testing. To assist in evaluating the potential economic viability of the project, a scoping study is in progress to assess capital and processing costs. A metallurgical program is contracted and planned, permitting is in progress for additional drilling, and preliminary engineering studies are all major activities the Company is undertaking in 2009.

Geology

The Kings Valley lithium project is located in the McDermitt Caldera, a well preserved Miocene collapse structure in north-western Nevada and southern Oregon. Because of the good exposures and preservation of the caldera complex, the area has been the focus of significant research activity over several decades by the U.S. Geological Survey (USGS). The USGS has produced a number of maps and other reports on the area. (Glanzman, et al, 1978; Rytuba and Glanzman, 1979).

Volcanic activity began approximately 27 million years ago with eruption of interlayered basaltic, andesitic, and dacitic flows and tuffs. The volcanic units were deposited on basement of Cretaceous granitic rocks with significant topographical relief. Explosive rhyolitic volcanism began approximately 18.7 million years ago and resulted in formation of a number of extensive ignimbrites (ash flow tuffs) and resultant, nested calderas. The rhyolites of the McDermitt caldera are very anomalous in Li and Hg and slightly anomalous in U when compared to average rhyolite. Li reaches 300 ppm in both ignimbrites and glassy tuffs, approximately six times greater than average rhyolite. Volcanic activity concluded by resurgence of the central part of the caldera, intrusion of rhyolite into the ring fracture zones around the caldera, and formation of a "moat" between the topographic wall of the caldera and resurgent dome in the center of the caldera. This moat then filled with volcanoclastic sedimentary rocks in a lacustrine environment. Hydrothermal alteration of the volcanoclastic sedimentary rocks or other processes produced hectorite and possibly other lithium-bearing minerals within the moat sediments.

Local Geological Setting

Western Lithium's lithium project is divided into five general areas, the North Lens, North Central Lens, South Lens, South Central Lens, and PCD areas. The important rock type is a lithium-rich claystone that may be the product of intense hydrothermal alteration of volcanoclastic rocks or the product of clay formation in the bottom of an alkaline lake.

North Lens, North Central Lens

The North and North Central Lens cover an area approximately 10 km north-south and 5 km east-west. Lithologies within the moat sedimentary rocks consist of volcanic rocks (ash-flow tuffs or andesites) or volcanic breccia at the base of the sedimentary package and an alternating sequence of volcanoclastic sandstone and siltstone, clay and siltstone, clay and pumice, and olive gray lithium-rich claystones. Because these rocks were deposited in an active sedimentary basin, correlation of individual units over large distances may be somewhat difficult.

Lithium is enriched in all of the rock types, but is most significantly enriched in the olive-gray claystone which is dominated by hectorite. The mineralized sequence appears to be consistent from hole to hole and section to section and may crosscut the stratigraphic sequences. Significantly mineralized sections are as much as 67 m thick, but average on the order of 40-50 m thick.

All of the rocks in the moat sequence are intensely altered. Alteration is intimately associated with mineralization.

South Lens, South Central Lens

The South and South Central Lens cover an area approximately 11 km north-south and 4 km east-west. Lithologies are similar to those found in the north lens. Interbedded clay and siltstone, clay and pumice, volcanoclastic sandstone and siltstone, and the olive-gray lithium-rich claystone form much of the host stratigraphy. The mineralized horizon correlates reasonably well from hole to hole and section to section in the more strongly mineralized areas. Lithium is enriched in all rock types, but where the original volcanoclastic rocks are completely altered to clay, lithium grades are the highest.

PCD Lens

The PCD lens is the southernmost mineralized lens in the area and appears to be the smallest of the known mineralized areas. The PCD lens comprises relatively unaltered volcanoclastic sandstone and siltstones which are the dominant rock types. Lithium-rich beds are generally 1 to 10 m thick but some areas mineralization exceeds more than 60 m. Colluvium as thick as about 10 m covers much of the area. Recent drilling by WLC shows that the average thickness of lithium mineralization is much thicker than indicated by Chevron data because many of the Chevron holes stopped in mineralization. A zone of mineralization greater than 50 m thick trends southwest-northeast across the area. Due to this zone's proximity to infrastructure that includes a paved state highway and power lines that cross within a 0.4 kilometers of the southern edge of mineralization, most of the Company's work over the past year has been focused on this lens.

Mineralization

The primary mineral of interest is hectorite; a trioctahedral smectite clay, that contains variable amounts of lithium. The general formula is $\text{Na}_{0.3}(\text{Mg}, \text{Li})_3\text{Si}_4\text{O}_{10}(\text{F}, \text{OH})_2$ where Lithium substitutes for Magnesium in the lattice. Hectorite is associated with calcite (CaCO_3), dolomite ($\text{CaMg}(\text{CO}_3)_2$) and analcime (a zeolite group mineral ($\text{NaAlSi}_2\text{O}_6 \cdot (\text{H}_2\text{O})$)). The clay in which the hectorite occurs is generally light- to dark-green or brown depending on the oxidation state of the iron in the clay (Glanzman et al, 1978). The clay that occurs in the tuffaceous sediments is chiefly montmorillonite. No other clays have been identified by whole rock X-ray diffraction. Hectorite and montmorillonite are both considered to be "bentonite" which expands significantly when it is exposed to water. Hectorite is used in applications where high temperatures are encountered because it is more stable at high temperatures than montmorillonite.

In the McDermitt Caldera complex, Glanzman et al (1989) state that hectorite is associated with three distinct zeolite alteration assemblages: relatively unaltered volcanic glass, clinoptilolite-feldspar, and analcime-K-feldspar. These zones correspond, in a general way, to the amount of lithium enrichment in the clays. Clay in the glassy sediments generally contains the least amount of lithium, clinoptilolite-feldspar contains an intermediate amount, and analcime-K-feldspar contains the highest concentrations. Analysis of unaltered rocks indicates an original average lithium concentration of 230 ppm (Rytuba and Glanzman, 1979). During zeolitization of the rocks, lithium was depleted in the alteration zones of erionite, clinoptilolite, and mordenite and concentrated in the alteration zones of analcime and K-feldspar.

Petrography indicates that K-feldspar pseudomorphically replaces analcime and that the rock was initially altered to analcime and then to K-feldspar. Pyrite is a ubiquitous gangue mineral and secondary quartz is common.

The age of the lithium deposits is likely about 15.7 Ma which is the date obtained for the mercury mineralization at the McDermitt Mine by Noble et al (1988).

Summary

Five mineralized areas were identified by Chevron in the 1980's. Mineralization in those areas consists of hectorite replacing volcanoclastic sedimentary rocks. The South Lens is the highest grade and possibly the most continuously mineralized area with the North Lens being the largest, but lowest grade deposit. North Central and South Central are small, high-grade lenses within the overall North and South Lenses respectively. PCD is one of the smallest areas and is locally covered by colluvium. PCD contains significant shallow, high-grade (>3,500 ppm Li) mineralization in zones that appear to correlate well from hole-to-hole and section-to-section. Assuming that Li can be extracted economically, the PCD area would likely be the best area to begin production because of the grade, low strip ratio, and proximity to infrastructure.

Basis of Presentation of 2008 Financial Information

Western Lithium financial information 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 Quarterly Financial Information and Three Months Ended December 31, 2008

The following selected consolidated financial information is derived from the unaudited interim consolidated financial statements of the Company and notes thereto. The information has been prepared in accordance with Canadian GAAP.

	Year end September 30, 2009	Year end September 30, 2008			
	Q1 \$	Q4 \$	Q3 \$	Q2 \$	Q1 \$
Total assets	8,129,451	7,591,935	2,293,360	2,239,152	2,822,672
Mineral properties and deferred costs	3,149,375	2,457,692	2,287,684	1,608,138	840,072
Working capital	4,623,689	4,998,617	(2,285,216)	(1,571,861)	(16,799)
Long term financial liabilities	-	-	-	-	-
Total revenues	-	-	-	-	-
General and administrative expenses	(859,664)	(1,491,987)	(314,075)	(293,406)	(177,566)
Net loss	(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 Q1-09 total assets 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 Q4-08 total assets and working capital 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.
- Increase in Q1-08 total assets is due to the increase in mineral advances payable to Western Uranium Corporation for the exploration activities on the Company's Kings Valley property.

Mineral properties and deferred costs

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

Working capital

- Decrease in working capital during the periods is mainly due to the expenditures on the Company's Kings Valley Lithium Project and increase in general and administrative expenses.
- Increase in Q4-08 working capital is due to the net proceeds of \$7,753,393 received from the private placement completed during 2008.

General and administrative expenditures

- Q1-09 decrease in general and administrative expenditures is mainly due to decrease in non-cash stock-based compensation expenses of \$637,621 compared to Q4-08 stock-based compensation of \$1,433,769. Significant fluctuations in general and administrative expenditures disclosed in the Results of operations section below.
- During Q1, Q2 and Q3, 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.
- Q4-08 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 are primarily due to stock-based compensation expenses incurred as a result of options issued 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.

Results of Operations

The Company generated a net loss of \$320,866 (\$0.01 per share) during Q1, 2009, compared to a loss of \$177,566 for the three months ended December 31, 2007. Significant fluctuations incurred in the following categories:

- a) Stock-based compensation of \$637,621 (Q1, 2008 - \$82,509) increased as a result of additional stock options granted during the period. 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.
- b) Office and miscellaneous of \$20,880 (Q1, 2008 - \$12,804), regulatory and filing fees \$2,612 (Q1, 2008 - \$229), rent \$25,273 (Q1, 2008 - \$4,192), travel \$54,834 (Q1, 2008 - \$4,170), wages and benefits \$76,260 (Q1-2008-\$19,463) increased mainly due to increase in the Company's operations and becoming an independent public company in Q4, 2008.
- c) Foreign exchange gain of \$529,314 was realized during the three months ended December 31, 2008 (loss of \$16,800 in Q1, 2008) 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.

Liquidity and Capital Resources

The Company's cash position at December 31, 2008 was \$4,959,837, a decrease of \$151,683 from September 30, 2008. The decrease is due to the operating and exploration expenditures on the Company's Kings Valley Lithium project and general and administrative expenses offset by foreign exchange gain on the Company's US\$ denominated funds due to appreciation of the US\$.

As at the date of this MD&A, the Company's working capital is approximately \$4,300,000. The Company considers that it has adequate resources to maintain its ongoing operations but currently may not have sufficient working capital to fund all of its planned exploration and development. The Company will continue to rely on successfully completing additional equity financing to further development of its properties. There can be no assurance that the Company will be successful in obtaining the required financing. The failure to obtain such financing could result in the loss of or substantial dilution of its interest in its properties.

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 engage in currency hedging to offset any risk of currency fluctuations.

Operating Cash Flow

Cash generated in operating activities during Q1, 2009 was \$243,264, compared to net cash used of \$177,566 during Q1, 2008. The cash generated in operating activities for the period consists primarily of the operating loss from the general and administrative expenditures, a change in non-cash working capital and foreign exchange gain recorded during the three months ended December 31, 2008. Operating cash outflow in Q1, 2009, net of foreign exchange gain, was \$286,050.

Financing Activities

During Q1, 2009, the Company had no financing activities. Net cash provided by financing activities in Q1, 2008 was \$2,781,356.

Investing Activities

Investing activities required cash of \$394,947 during the three months ended December 31, 2008 compared to cash used of \$621,190 during the period ended December 31, 2007. The cash used in operating activities for the period consists of primarily of the acquisition and exploration expenditures on the Company's Kings Valley Lithium project.

Related Party Transactions

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

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

The Company has engaged an outside laboratory to conduct the laboratory testing, flowsheet development and economic evaluation on the Company's Kings Valley property. If this engagement is terminated before May 8, 2010 (the "Termination Date") the Company will pay a penalty of US\$25,000 per month for each month before the Termination date.

Current Share Data

As at the date of this MD&A, there were 51,220,000 common shares issued and the following stock options outstanding:

Number of Options Outstanding	Number of Options Exercisable	Exercise Price	Expiry Date
5,725,000	2,862,500	\$ 0.50	June 6, 2013
100,000	25,000	\$ 0.72	August 11, 2013
1,600,000	275,000	\$ 0.45	October 16, 2013
7,425,000	3,162,500		

During the three months period ended December 31, 2008, the Company granted a total of 1,500,000 incentive stock options to the newly appointed President and 100,000 incentive stock options to a consultant of the Company to acquire a combined 1,600,000 common shares 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, which were granted to the President, will vest in two tranches, with the first tranche vesting 2 years from the date of grant and the second tranche vesting on the third year from the date of grant.

As at December 31, 2008, 159,375 of the Company's shares are held in escrow pursuant to the Escrow Agreement dated June 19, 2008 between the Company, Computershare and certain officers and directors of the Company. These shares scheduled for release on April 4, 2009.

As at December 31, 2008 13,688,454 of the Company's shares are held in escrow pursuant to the Escrow Agreement dated June 19, 2008 between the Company, Computershare and Western Uranium Corporation. 2,281,409 of these shares are released every 6 months.

As of date of this report, 2,281,409 of these shares were released on January 16, 2009 with the next scheduled release on July 16, 2009 and the last release on July 16, 2011.

Stock-based compensation

The Company uses the Black-Scholes Option Pricing Model in determining the fair value of options and agent warrants granted for stock-based compensation. Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective price assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options granted/vested during the period.

Financial Instruments

The Company's financial statements consist of cash, 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 9 of the Company's unaudited consolidated financial statements for the period ended December 31, 2008.

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.

The following are the 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.

Credit risk

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash. Management's assessment of the Company's risk is low as it is primarily attributable to cash and Guaranteed Investment Certificates (GICs) held in major banks. The Company limits its exposure to credit loss by placing its cash with major financial institutions.

Liquidity risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. All of the Company's financial liabilities are classified as current and are anticipated to mature within the next fiscal period. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2008, the Company had a cash balance of \$4,959,837 to settle current liabilities of \$356,387. The Company intends to settle these with funds from its positive working capital position.

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 \$1,186,480, receivables of \$4,789, prepaid expenses of \$15,450 and accounts payable and accrued liabilities of \$29,115, are denominated in US dollars and have been translated at a value of \$1.2180 Canadian dollars to \$1.00 US dollar. If the US dollar appreciated by 1% in relation to Canadian dollar, the Company's loss would have decreased by approximately \$33,951.

ii) Metal price risk

The Company's property has exposure to lithium. The price of lithium is affected by numerous factors beyond the control of the Company including producer hedging activities, the relative exchange rate of the U.S. dollar with other major currencies, demand, political and economic conditions and production levels. The price of this metal greatly affects the value of the Company and the potential value of its properties. The price of other metals and minerals that the Company may explore for all have similar price risk factors. Price risk is remote 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 net income would have decreased by approximately \$49,600.

Capital risk

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

Environmental Risk

The Company seeks to operate within environmental protection standards that meet or exceed existing requirements in the countries in which the Company operates. Present or future laws and regulations, however, may affect the Company's operations. Future environmental costs may increase due to changing requirements or costs associated with exploration and the developing, operating and closing of mines. Programs may also be delayed or prohibited in some areas. Although minimal at this time, site restoration costs are a component of exploration expenses.

Title Risk

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.

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. The focus of the Company is on areas in which the geological setting is well understood by management.

The Company's activities are focused primarily on the Kings Valley Lithium project. Any adverse changes or developments affecting this project would have a material and adverse effect on the Company's business, financial conditions, results of operations and prospects.

The Company has not earned profits to date and there is no assurance that it will do so in the future.

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, 2008 and changes in accounting policies contained in Note 2 of the Company's unaudited interim consolidated financial statements for December 31, 2008. These accounting policies can have a significant impact of the financial performance and financial position of the Company.

Changes in accounting policies

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. This section relates to disclosure and had no an impact on the Company's financial results. Disclosures required by this standard are included in Note 1 and Note 2 of the Company's unaudited interim consolidated financial statements for the period ended December 31, 2008.

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 Costs. This new sections establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets. Standard concerning goodwill remain unchanged from the standard included in the previous Section 3062. Adoption of this section has had no an impact on the Company's financial results.

Comparative figures

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

Accounting pronouncement issued and not yet applied

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

Investor Relations

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

Company Outlook

The Company will continue with its current development plan to complete a scoping study on its Kings Valley Lithium project. 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.

WESTERN LITHIUM CANADA CORPORATION

INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED
DECEMBER 31, 2008

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

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

The accompanying unaudited interim financial statements of Western Lithium Canada Corporation for the three months ended December 31, 2008 have been prepared by management and are the responsibility of the Company's management. These statements have not been reviewed by the Company's external auditors.

WESTERN LITHIUM CANADA CORPORATION
INTERIM CONSOLIDATED BALANCE SHEETS
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

	December 31, 2008	September 30, 2008
A S S E T S		
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,959,837	\$ 5,111,520
Receivables	4,789	4,671
Prepaid expenses and deposits	<u>15,450</u>	<u>18,052</u>
	4,980,076	5,134,243
MINERAL PROPERTIES AND DEFERRED COSTS (Note 3)	<u>3,149,375</u>	<u>2,457,692</u>
	\$ 8,129,451	\$ 7,591,935
L I A B I L I T I E S		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 334,797	\$ 116,365
Advances payable to Western Uranium Corporation (Note 4)	<u>21,590</u>	<u>19,261</u>
	<u>356,387</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)	7,753,393	7,753,393
CONTRIBUTED SURPLUS (Note 5)	2,553,186	1,915,565
DEFICIT	<u>(2,533,515)</u>	<u>(2,212,649)</u>
	<u>7,773,064</u>	<u>7,456,309</u>
	\$ 8,129,451	\$ 7,591,935

Nature of operations (Note 1 and 2)

Commitments (Notes 3 and 8)

On behalf of the Board:

“Pamela Klessig”

Director

“Ed Flood”

Director

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

WESTERN LITHIUM CANADA CORPORATION
INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

	<u>Three Months ended December 31,</u>	
	<u>2008</u>	<u>2007</u>
EXPENSES		
Advertising	\$ 5,557	\$ -
Audit and accounting	27,712	11,147
Consulting fees	6,000	8,632
Interest expense and bank charges	63	2,987
Investor relations	-	4,933
Legal fees	1,310	5,560
Office and miscellaneous	20,880	12,804
Regulatory and filing fees	2,612	229
Rent	25,273	4,192
Stock-based compensation (Note 5)	637,621	82,509
Telephone	1,542	4,140
Travel	54,834	4,170
Wages and benefits	<u>76,260</u>	<u>19,463</u>
LOSS BEFORE OTHER ITEMS	<u>(859,664)</u>	<u>(160,766)</u>
OTHER ITEMS		
Foreign exchange gain/(loss)	529,314	(16,800)
Interest income	<u>9,484</u>	<u>-</u>
	<u>538,798</u>	<u>(16,800)</u>
NET LOSS AND COMPREHENSIVE LOSS	<u>(320,866)</u>	<u>(177,566)</u>
DEFICIT – BEGINNING OF PERIOD	<u>(2,212,649)</u>	<u>(63,038)</u>
DEFICIT – END OF PERIOD	<u>\$ (2,533,515)</u>	<u>\$ (240,604)</u>
BASIC AND DILUTED LOSS PER SHARE	<u>\$ (0.01)</u>	<u>N/A</u>
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING – BASIC AND DILUTED	<u>51,220,000</u>	<u>N/A</u>

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

WESTERN LITHIUM CANADA CORPORATION
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

	<u>Three Months Ended December 31,</u>	
	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$ (320,866)	\$ (177,566) ⁽¹⁾
Items not affecting cash:		
Stock-based compensation	637,621	-
Changes in non-cash working capital items:		
Increase in receivables	(118)	-
Decrease in prepaid expenses and deposits	2,602	-
Decrease in accounts payable and accrued liabilities	<u>(75,975)</u>	<u>-</u>
Net cash provided by/(used) in operating activities	<u>243,264</u>	<u>(177,566)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of mineral properties and deferred costs	<u>(394,947)</u>	<u>(621,190)⁽¹⁾</u>
Net cash used in investing activities	<u>(394,947)</u>	<u>(621,190)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances payable to Western Uranium Corporation	-	621,190 ⁽¹⁾
Funding provided by Western Uranium Corporation	-	160,766 ⁽¹⁾
Loans from Western Uranium Corporation	-	1,999,399
Issuance of common shares	<u>-</u>	<u>1</u>
Net cash provided by financing activities	<u>-</u>	<u>2,781,356</u>
CHANGE IN CASH AND CASH EQUIVALENTS	(151,683)	1,982,600
CASH AND CASH EQUIVALENTS – BEGINNING OF PERIOD	<u>5,111,520</u>	<u>-</u>
CASH AND CASH EQUIVALENTS – END OF PERIOD	<u>\$ 4,959,837</u>	<u>\$ 1,982,600</u>
CASH AND CASH EQUIVALENTS IS COMPRISED OF:		
Cash	\$ 2,028,411	\$ 1,982,600
Term deposits	<u>2,931,426</u>	<u>-</u>
	<u>\$ 4,959,837</u>	<u>\$ 1,982,600</u>
⁽¹⁾ These are non-cash items that have been provided by Western Uranium Corporation as funding sources and uses of cash of the Western Lithium Business.		
Supplemental disclosure with respect to cash flows		
Non-cash activities		
Expenditures on mineral properties	\$ (296,736)	\$ -
Increase in accounts payable related to mineral properties	<u>296,736</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ -</u>

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

WESTERN LITHIUM CANADA CORPORATION
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED DECEMBER 31, 2008
(Unaudited – Prepared by Management)
(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 Toronto 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 development, and future profitable production. The Company considers that it has adequate resources to maintain its core operations for the next year.

2. BASIS OF PRESENTATION AND CHANGES IN ACCOUNTING POLICIES

Basis of Presentation

The interim period consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for the preparation of interim financial statements. The most significant of these accounting principles have been set out in the audited September 30, 2008 financial statements. Only changes in accounting information have been disclosed in these unaudited interim financial statements. These interim consolidated financial statements follow the same accounting policies and methods of application as the most recent audited consolidated financial statements of the Company. Accordingly, these interim financial statements do not contain all the information required for annual financial statements and should be read in conjunction with the Company’s most recent audited consolidated financial statements as at September 30, 2008.

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. In the opinion of management, all adjustment considered necessary for a fair presentation have been included.

WESTERN LITHIUM CANADA CORPORATION
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED DECEMBER 31, 2008
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

2. BASIS OF PRESENTATION AND CHANGES IN ACCOUNTING POLICIES (continued)

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.

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 Costs. This new sections establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets. Standard concerning goodwill remain unchanged from the standard included in the previous Section 3062. Adoption of this sections has had no an impact on the Company’s financial results.

Comparative figures

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

3. MINERAL PROPERTIES AND DEFERRED COSTS

Kings Valley Property, Nevada, USA

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 on the first anniversary of the effective date of the Lease Agreement (Note 11), US\$75,000 on each of the second through fourth anniversaries of the effective date of the Lease Agreement, US\$100,000 on each of the fifth through tenth anniversaries of the effective date of the Lease Agreement, US\$150,000 on each of the eleventh through twentieth anniversaries of the effective date of the Lease Agreement and US\$200,000 on each of the twenty-first through thirtieth anniversaries of the effective date of the Lease Agreement, for total payments of US\$4,400,000. These payments are applied against any royalty payments. The 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%.

WESTERN LITHIUM CANADA CORPORATION
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED DECEMBER 31, 2008
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

3. MINERAL PROPERTIES AND DEFERRED COSTS (continued)

For the three months ended December 31, 2008	Kings Valley Property
Acquisition costs	
Balance, beginning of period	\$ 88,569
Additions	<u>9,273</u>
Balance, end of period	<u>97,842</u>
Deferred exploration costs	
Drilling	77,655
Environmental	24,604
Geological and consulting	119,288
Mapping, supplies and other	74,515
Geochemistry, assays and sampling	5,987
Metallurgy and lab costs	<u>380,361</u>
Total deferred exploration costs	682,410
Balance, beginning of period	<u>2,369,123</u>
Balance, end of period	<u>3,051,533</u>
Total mineral property costs	\$ 3,149,375

For the year ended September 30, 2008	Kings Valley Property
Acquisition costs	
Balance, beginning of year	\$ 14,799
Additions	<u>73,770</u>
Balance, end of year	<u>88,569</u>
Deferred exploration costs incurred during the year:	
Drilling	1,463,834
Environmental	68,659
Geological and consulting	276,261
Mapping, supplies and other	84,019
Geochemistry, assays and sampling	131,113
Metallurgy and lab costs	<u>141,154</u>
Total deferred exploration costs	2,165,040
Balance, beginning of year	<u>204,083</u>
Balance, end of year	<u>2,369,123</u>
Total mineral property costs	\$ 2,457,692

WESTERN LITHIUM CANADA CORPORATION
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED DECEMBER 31, 2008
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

4. ADVANCES PAYABLE TO WESTERN URANIUM CORPORATION

As at December 31, 2008, \$21,590 was due to Western Uranium Corporation for the reimbursement of exploration expenditures incurred by Western Uranium on Western Lithium property and allocation of shared office and administrative expenses.

5. SHARE CAPITAL AND CONTRIBUTED SURPLUS

	Number	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	-	-	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
Stock-based compensation	-	-	637,621
As at December 31, 2008	51,220,000	7,753,393	2,553,186

The amounts of contribution from Western Uranium, included in contributed surplus, are non-cash items representing the allocation of general and administrative expenses under the continuity of interests basis of accounting described in the September 30, 2008 audited consolidated financial statements.

As at December 31, 2008, 159,375 shares are held in escrow pursuant to the Escrow Agreement dated June 19, 2008 between the Company, Computershare and certain officers and directors of the Company which are scheduled for release on April 4, 2009.

Additional 13,688,454 shares are held in escrow pursuant to the Escrow Agreement dated June 19, 2008 between the Company, Computershare and Western Uranium Corporation. 2,281,409 of these shares are released every 6 months with the next scheduled release on January 16, 2009 and the last release on July 16, 2011.

WESTERN LITHIUM CANADA CORPORATION
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED DECEMBER 31, 2008
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

5. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

Stock options

The Company has a stock option plan in accordance with the policies on the TSX Venture Exchange whereby, from time to time at the discretion of the board of directors, stock options are granted to directors, officers and certain consultants. Under the plan up to 10,200,000 common shares are reserved for the issuance of stock options, 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.

On October 16, 2008, the Company granted a total of 1,500,000 incentive stock options to the newly appointed President and 100,000 incentive stock options to a consultant of the Company to acquire a combined 1,600,000 common shares 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, which were granted to the President, will vest in two tranches, with the first tranche vesting 2 years from the date of grant and the second tranche vesting on the third year from the date of grant.

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 made during the period:

	2008
Risk-free interest rate	2.92%
Expected life	5 years
Annualized volatility	100%
Dividend rate	0.00%
Total fair value of stock options granted	\$ 608,000

Option pricing models require the input of highly subjective assumptions regarding the expected volatility. Changes in assumptions may affect the fair value estimate, and 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.

Stock-based compensation expense of \$637,621 was charged to operations and credited to contributed surplus to reflect the fair value of stock options vested during the year. At December 31, 2008 \$767,067 of the fair value of stock options previously granted but not yet vested remains to be expensed in fiscal 2009, \$184,853 in 2010, \$33,646 in 2011 and \$1,319 in 2012. As at December 31, 2008 4,262,500 stock options granted remain unvested.

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5. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

The following table summarizes information about Company's outstanding options as at December 31, 2008:

	Number of Options	Weighted Average Exercise Price
Balance, beginning of period	5,825,000	\$ 0.50
Granted	1,600,000	\$ 0.45
Exercised	-	-
Expired or cancelled	-	-
Balance, end of period	7,425,000	\$ 0.49

The following table summarizes information about stock options outstanding and exercisable at December 31, 2008:

	Number of Options Outstanding	Number of Options Exercisable	Exercise Price	Expiry Date
	5,725,000	2,862,500	\$ 0.50	June 6, 2013
	100,000	25,000	\$ 0.72	August 11, 2013
	1,600,000	275,000	\$ 0.45	October 16, 2013
Total	7,425,000	3,162,500		

6. RELATED PARTY TRANSACTIONS

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

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.

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 three months ended December 31, 2008.

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7. SEGMENTED INFORMATION (continued)

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

	December 31, 2008		
	Canada \$	United States \$	Total \$
Current assets	3,647,232	1,332,844	4,980,076
Mineral properties and deferred costs	-	3,149,375	3,149,375
	3,647,232	4,482,219	8,129,451

	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
	-	4,114,392	7,591,935

8. COMMITMENTS

- a) The Company has engaged an outside laboratory to conduct the laboratory testing, flowsheet development and economic evaluation on the Company's Kings Valley property. If this engagement is terminated before May 8, 2010 (the "Termination Date") the Company will pay a penalty of US\$25,000 per month for each month before the Termination date;
- b) Mineral properties (Note 3).

9. FINANCIAL INSTRUMENTS

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.

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. The Company's maximum exposure to credit risk for cash and cash equivalents is the amount disclosed in the balance sheet. Management's assessment of the Company's risk is low as it is primarily attributable to cash and Guaranteed Investment Certificates (GICs) held in major banks. The Company limits its exposure to credit loss by placing its cash with major financial institutions.

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9. FINANCIAL INSTRUMENTS (continued)

Liquidity Risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. All of the Company's financial liabilities are classified as current and are anticipated to mature within the next fiscal period. The Company intends to settle these with funds from its positive working capital position.

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 \$1,186,480, receivables of \$4,789, prepaid expenses of \$15,450 and accounts payable and accrued liabilities of \$29,115, are denominated in US dollars and have been translated at a value of \$1.2180 Canadian dollars to \$1.00 US dollar. If the US dollar appreciated by 1% in relation to Canadian dollar, the Company's loss would have decreased by approximately \$33,951.

ii) Price risk

The Company is exposed to price risk with respect to commodity prices. Price risk is remote 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 net income would have decreased by approximately \$49,600.

Capital Risk

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

The capital structure of the Company consists of equity attributable to common shareholders, comprised of issued capital, contributed surplus, and accumulated other comprehensive income and deficit.

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9. FINANCIAL INSTRUMENTS (continued)

Fair Values

The Company classifies its financial assets as either held for trading, available for sale or loans and receivables. Financial liabilities are classified as either held for trading or other financial liabilities.

Cash and cash equivalents are designated as available for sale and recorded at fair value. Receivables have been designated as loans and receivables and recorded at amortized cost. Accounts payable and mineral property advances payable to Western Uranium Corporation designated as other financial liabilities and are recorded at amortized cost.

As at December 31, 2008, the carrying and fair values of the Company's financial instruments are approximate their fair values due to short term nature of the instruments.

10. 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.

11. SUBSEQUENT EVENT

Subsequent to December 31, 2008, the Company fulfilled its \$50,000 option payment obligation to Western Uranium Corporation for Kings Valley property (Note 3).