

WESTERN URANIUM CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED SEPTEMBER 30, 2010

Background

The following discussion and analysis of financial position and results of operations, prepared as of January 21, 2011, should be read together with the Company's audited consolidated financial statements for the year ended September 30, 2010 and 2009 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.

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

Forward Looking Statements

Certain of the statements made and information contained herein is "forward-looking information" within the meaning of the British Columbia Securities Act. These statements relate to future events or the Company's future performance. All statements, other than statements of historical fact, may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "propose", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon by investors as actual results may vary. These statements speak only as of the date of this MD&A and are expressly qualified, in their entirety, by this cautionary statement. In particular, this MD&A contains forward-looking statements, pertaining to the following: capital expenditure programs, development of resources, treatment under governmental and taxation regimes, expectations regarding the Company's ability to raise capital, expenditures to be made by the Company on its properties and work plans to be conducted by the Company. With respect to forward-looking statements listed above and contained in the MD&A, the Company has made assumptions regarding, among other things:

- uncertainties relating to receiving mining and exploration permits in USA, Canada, Spain and Argentina;
- the impact of increasing competition in uranium, gold and copper business;
- unpredictable changes to the market prices for uranium, gold and copper;
- exploration and developments costs for its properties;
- availability of additional financing or joint-venture partners;
- anticipated results of exploration activities;
- the Company's ability to obtain additional financing on satisfactory terms.

The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this MD&A, volatility in the market price for minerals; uncertainties associated with estimating resources; geological, technical, drilling and processing problems; liabilities and risks, including environmental liabilities and risks, inherent in mineral exploration; fluctuations in currencies and interest rates; incorrect assessments of the value of acquisitions; unanticipated results of exploration activities; competition for, amongst other things, capital, undeveloped lands and skilled personnel; lack of availability of additional financing and/or joint venture partners and unpredictable weather conditions.

Investors should not place undue reliance on forward-looking statements as the plans, intentions or expectations upon which they are based might not occur. Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement. The Company does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by law.

Company Overview

Western Uranium Corporation (“Western”, “WUC” or the “Company”) was incorporated under the British Columbia Business Corporations Act on February 7, 2000. The Company is a natural resource company engaged in the acquisition and exploration of resource properties in North and South America and in Spain. To date, the Company has not generated significant revenues from operations and is considered to be in the exploration stage. The Company trades on the TSX Venture Exchange under the symbol WUC.

Trends

During the latest recession, the price for most commodities, including uranium, and base metals fell to the levels below the cost of production for many existing producers. Some major US and international banks struggled to survive and the exploration and development capital became scarce. A number of mining operations closed during 2008-2009 and the inventory levels for most base metals fell to very low levels. During this period, the exploration activities by most resource companies were reduced substantially.

As the world’s economy started to recover in 2010, the demand for base metals grew significantly led by China and the prices for most base metals recovered or increased above the pre-recession levels. The price of gold, silver and other precious metals also reached high levels due to the expansion monetary policies in most countries and currency uncertainties. This presented a great opportunity for resource companies to explore and develop new projects. The price for uranium is currently lagging behind the price recoveries seen for the most base metals but has recently exhibited signs of recovery as well.

Outlook

In view of the current trends, the Company changed its strategic plan from a US-based uranium exploration focus to the worldwide global exploration for precious and base metals, including uranium. The Company continues to believe that the uranium market will recover from the current levels of pricing and will play a strong role in providing future global energy needs. As such, the Company is continuing exploration for uranium on a selective basis and seeking out opportunities for properties or projects that exhibit potential for containing resources of uranium or other base or precious metals of economic interest. In following this objective the Company entered into a Joint Venture lease agreement with AuEx Ventures to explore a property for copper and gold mineralization in Southeast Spain (Baza Project) and has expanded the uranium exploration program into the La Rioja Province of Argentina through an acquisition of 7 cateos covering 14,000 hectares. Most recently, the Company established Meryllion Minerals to act as an exploration arm in South America.

The Company is currently focusing the majority of exploration activities on the Baza Project in Spain and exploration on projects in South America acquired through the newly formed subsidiary Meryllion Corporation. The Company is sensitive to market issues for financing and is prudently managing the treasury to ensure the company’s long term viability and success.

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.

Through the Company’s wholly-owned subsidiaries, Western Energy Development Corp. (“WEDC”), Ruby Hill Exploration Inc. and Meryllion Minerals Corporation, the Company has mineral exploration concessions in the USA, Spain, Argentina and Canada. Western Uranium Corp. holds an option to earn 70% interest in the Baza property in south east Spain. In addition, Western Uranium Corp. acquired 7 cateos covering approximately 14,000 hectares located in the La Rioja Province of Argentina. A description of each of the properties is provided as follows:

Kings Valley Claims, Nevada, USA

Western Uranium acquired the Kings Valley property in January 2005. Recognizing the regional exploration potential the property holds to host uranium and potentially gold or molybdenum mineralization the Company has been aggressively exploring the large land position of nearly 80,000 acres over the past several years. After evaluation consisting of geophysics, structural interpretation, geologic mapping and sampling, the Company decreased the land position by 2154 claims in 2009. The Company currently holds in total 2033 claims covering over 40,000 acres within the McDermitt Caldera.

During the past five years the Company has conducted various phases of exploration including undertaking large geochemical surveys, airborne and ground geophysical surveys, geologic mapping, large regional structural analyses, and various drill campaigns. Results from the all drilling have been reported in the previous quarterly financial and annual management's discussions and analyses. The various drill programs did not intercept mineralization in amounts that justified further exploration on the project for WUC.

The Company engaged AMEC Mining and Metals, Inc. to prepare a NI 43-101 compliant resource estimation based on historical drill information plus results available from the drilling undertaken by the Company during 2006 and 2007. A NI 43-101 compliant inferred resource has been calculated that indicates 4.8 million pounds of uranium in approximately 3 million tonnes at a cutoff of 0.035% U₃O₈ for the north zone and 0.05% U₃O₈ for the south and Moonlight zones are present.

WUC QA/QC Program

Quality Control and Assurance for all sampling projects at Kings Valley is under the direction of Mr. John Rice, Vice President of Exploration, a Qualified Person as defined by National Instrument 43-101 standards. When drilling is on-going, core samples are collected daily from the drill site and transported back to the field office where WUC personnel photograph each box. WUC geologists then log the core noting rock types and alteration. The core is then split and packaged in sealed bags. Core samples are delivered by WUC employees to American Assay Laboratories located in Sparks, Nevada or collected on site by American Assay Laboratory.

American Assay Laboratory's quality control system complies with the requirements for the International Standards ISO 9001:2000 and ISO 17025:1999. Analytical accuracy and precision are monitored by the use of reagent blanks, reference samples, and sample duplicates. Additionally, WUC selects duplicate samples which are then submitted to a third party lab for separate confirmation analysis.

WUC contracted Minerals Exploration and Environmental Chemistry Laboratories, located in Washoe Valley, Nevada, to develop a set of analytical standards for uranium quality control. WUC standards were made at 0.01%, 0.05%, 0.10%, and 1.0% U₃O₈. Once prepared, the standards were submitted to six different accredited assay laboratories for round robin analysis and confirmation of grade before use. Control samples are submitted with each round of samples submitted to the laboratory.

Lease and Sale Agreements with Western Lithium on Kings Valley Property, Nevada

In December 2007, the Company entered into a mining lease and option to purchase agreement (the "Lease Agreement") with Western Lithium USA Corporation ("Western Lithium"), through their subsidiaries, Western Lithium Corp. (100% owned by Western Lithium USA Corporation) and Western Energy Development Corporation (100% owned by Western Uranium), pursuant to which Western Uranium granted to the Western Lithium 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, Western Lithium must pay to Western Uranium US\$25,000 (received), US\$50,000 (received) on the first anniversary of the effective date of the Lease Agreement, US\$75,000 on each of the second (second anniversary payment received) 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. Western Lithium has agreed to pay to Western Uranium a Net Smelter Returns Royalty of 1.5% and a Net Profits Royalty equal to 3.5%.

Subsequent to September 30, 2010, the Company and Western Lithium have reached an agreement in principle for the purchase, by Western Lithium, of a 100% interest in the Kings Valley mineral property claims, royalties and all related assets and data held by Western Energy Development Corporation (“WEDC”), a wholly-owned subsidiary of the Company. The parties have agreed that Western Lithium will pay to the Company \$6.85 million in WLC shares as consideration for the transfer of the assets.

As a result of this transaction, the existing lease and royalty arrangements between the two companies on the King’s Valley property, including a Net Smelter Return of 1.5% and Net Profits Royalty of 3.5% on any lithium project that WLC developed, will be eliminated. Western Lithium will gain full control of the Kings Valley property claims, excluding the Albusu gold exploration target and a proposed royalty to be granted to Cameco Global Exploration II Ltd. (“Cameco”) solely in respect of uranium. The agreement also eliminates the need for continuing future lease payments by Western Lithium of US\$4 million.

Details of the Transaction:

- Western Lithium will purchase 100% interest in the Kings Valley property claims, royalties and all related assets and data held by WEDC, except the Albusu gold property, located at the northern end of the Kings Valley property.
- The purchase price will be \$6.85 million, to be paid through the issue by Western Lithium of 5,855,000 common shares at a deemed price of \$1.17.
- The Company’s Strategic Alliance with Cameco, related to the exploration and development of uranium properties, will be concluded as a related part of the transaction with Western Lithium, for consideration of \$2.5 million to be paid by the Company to Cameco and the grant to Cameco of a 20% gross overriding royalty over the Kings Valley mineral property solely in respect of uranium.
- As part of the transaction, the Company has agreed to dispose, in due course, of its common shares in the capital of Western Lithium following completion of the transaction in one or more block trades or off-market transactions until it is no longer an insider (i.e. holds less than 10% of outstanding shares), and until it completes such disposition to refrain from voting against management nominees to the Western Lithium board of directors and to vote in favour of any arm’s length third party change of control transaction proposed by Western Lithium’s management.

The transaction is subject to negotiation and settlement of definitive agreements, the termination of the Strategic Alliance Agreement, completion of due diligence by Western Lithium and all requisite third party approvals, including stock exchange and securities approvals.

Treeline Claims, New Mexico, USA

The Treeline project consists of 480 acres of private lands leased by the Company through its wholly owned US subsidiary Western Energy Development Corp. (WEDC) (referred to as leased lands) and approximately 3380 acres of unpatented mining claims located by Western also through WEDC (referred to as WEDC's unpatented claims). The project lies within a west-northwest-trending belt of uranium mineralization known as the Grants Uranium District in northwestern New Mexico. On March 30, 2005, the Company purchased a leasehold interest in property located in New Mexico for \$91,785 (US\$75,000) and purchased data on the surrounding ground for \$6,119 (US\$5,000). The Company has staked and filed a number of federal lode mining claims, with the Bureau of Land Management on this property. The Company has requested that the United States Forest Service (USFS) undertake the completion of the Environmental Impact Statement (EIS) but recently notified the USFS that it is no longer proceeding with any activity on the project and to remove WEDC from the multi-company, exploration EIS consortium. USFS has requested the EIS prior to granting a permit to undertake exploration drilling on the claims.

In December 2010 letter, USFS identified WEDC as a potentially responsible party in respect of the former San Mateo uranium mine grounds located within Treeline claims. The Company believes that this position is not supported under Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA), a United States federal law designed to clean up sites contaminated with hazardous substances. WEDC staked unpatented mining claims on the lands in 2004, two decades after the last mining activity on the property and the previously located mining claims were abandoned.

The site was mined by United Nuclear Company, a subsidiary of General Electric Company, Homestake Mining Company, a subsidiary of Barrick Gold Corporation, and a third company which was a subsidiary of the company now known as El Paso Energy. Those companies are also identified as PRPs. WEDC objected to being characterized as a PRP.

The Company is currently evaluating its future plans for the project.

Thelon Basin Permits and Claims, Northwest Territories and Nunavut, Canada

Western Uranium Corporation had nine exploration permits covering ~ 355,000 acres in Nunavut that expired at the end of January 2009 according to regulations. Prior to expiration, the Company converted the most favorable portions of the permits to 49 mineral claims covering 126,543 acres. In 2010 the Company filed representation work on 33 Ruby claims covering 85,222.5 acres. In the Northwest Territories the Company determined the acreage covered by the one exploration permit held little exploration potential and relinquished the ground. The Company held three claim blocks covering 80,233 acres in the Northwest Territories in the Thelon Basin which were valid until September 2009. Subsequent to this date, management decided to relinquish the claims due to the extreme problems with permitting uranium exploration on the Northwest Territory side of the Thelon Basin. The Company wrote down \$998,369 of the deferred exploration costs in 2008 and \$23,825 in 2009 on the property.

No further work is planned for the Thelon Basin project and the company will seek to sell or joint venture the property. An adequate amount of expenditure has been made in Nunavut to keep all of the existing claims in good standing through July 2011. Portions of the existing claim blocks can be kept in good standing by filing on the property each subsequent year through 2015.

Baza, Spain

The Company entered into an Option Agreement with AuEx Ventures, Inc. (XAU) to earn a 70% interest in the Baza property in south east Spain (Press Release October 14, 2009). The property is located on the south slope of the Sierra de Filabres which is separated by a major east-west trending valley from the Sierra Nevada to the south and is about 120 kilometers to the east of Granada. The project exhibits potential for discovery of one or more gold and copper deposits. The Company believes this property represents a sound opportunity to explore an area with widespread indications of hosting a large mineralized system. This is an area that has not been subjected to modern exploration methods. The expansion of exploration into gold and copper provides important diversification into the rapidly rising gold market and as the economic recovery continues, into the base metal arena. Management believes both commodities have potential to provide nearer term value to shareholders and spreads the risk from focusing solely on one commodity.

The Option gives the Company the right to carry EuEx (a wholly owned subsidiary of AuEx) through bankable feasibility on any given exploration permit to earn up to 70% of the project and by paying an aggregate of US\$400,000 to AuEx of which US\$200,000 has been paid. To maintain the option US\$100,000 must be paid on the first, second, and third anniversaries of the Agreement to AuEx and minimum annual expenditures must be incurred at the rate of

€\$500,000 on or before the first anniversary (completed);

€\$600,000 on or before the second anniversary;

€\$1,000,000 on or before the third anniversary;

€\$500,000 in each subsequent year until such time as a bankable feasibility study is obtained in respect of a particular Permit;

If WUC spends at least €\$3,000,000 on any given Exploration Permit or Application, it is entitled to a 5% NSR which reduces to a 1% NSR after €\$6,000,000 in payments. Any excess expenditure made in one year may be carried forward towards meeting the following years work commitment.

As reported in a press release on June 14th, 2010, an administrative error in filing an application for the renewal on one of the Company's permits for the Baza Project has resulted in the cancellation of that permit. The area in question covers approximately 1,400 hectares of the overall 16,000 hectares covered by the various permits held by the Company.

Actions are underway to correct the situation. A legal challenge to the loss of the permit has been filed. Alternatively the Company may need to reapply for the permit in a public bid. While there is no certainty of success, the Company anticipates the permit situation will be resolved satisfactorily and work will again resume in the canceled area once the issue is resolved. In the interim, work will be ongoing in the other areas of the Project.

The Baza mineralization displays characteristics of more than one genetic model style, however from an exploration and targeting perspective the area displays numerous characteristics associated with various styles of large gold-copper mineral deposits. On-going work including drilling will help establish which genetic model is most similar to the style of mineralization hosted in the area. Certain features such as the presence of abundant iron-rich carbonate gangue, chalcopyrite, feldspar-stable alteration, and the presence in the greater district of hypogene specular hematite and magnetite suggest the setting may be similar to an Iron-oxide-copper-gold model (Bedell and Parratt). It has also been noted the area has an apparent magmatic-related trace element suite present and due to the lack of extensive hydrothermal alteration and significant iron oxides, and suggests that the potential model may be Kinsanshi style (~200Mt, 1.1% Cu, 0.16 g/t Au) which occurs as a bulk tonnage deposit in albitized metasedimentary rocks around high-grade chalcopyrite-quartz-carbonate veins (Hitzman).

Additional examination by a consulting geologist has highlighted evidence that suggests mineralization may be related to a porphyry intrusion (Badham). Evidence of this is suggested by the occurrence of mineralized igneous clasts of rock caught up in fault and vein zones at all three locations; Cerro del Gallo, El Valenciano and Solana de la Virgen. This is highly encouraging that a large system may be present in the area and could assist in explaining the origin of the numerous showings of anomalous gold and copper at surface in veins and shears.

The project is in a region that was historically mined for iron. The last iron mine closed in 1992 but there are no records of copper and gold being exploited. Significant quantities of gold and copper are found in many samples taken from various small mine workings and dumps scattered over the entire 25 kilometer length of the project area, suggesting that these commodities were not recovered during any of the historic periods of small scale mining activity. Three areas have been identified, Cerro del Gallo, El Valenciano and Solana de la Virgen, that with some additional field work will be drill tested during 2010. The most advanced prospect area, Cerro del Gallo has yielded gold and copper values in rock samples ranging from 1.53 g/t Au and 0.33% Cu over 1.2 meters to 6.8 g/t Au, and 1.86% Cu over 3.4 m from mineralized structures and prospects along a 2 km strike length. Individual rock chip samples have returned gold values up to 20.0 g/t and copper values up to 10%. Gold and copper mineralization has been identified along a strike length of 1000 meters in the El Valenciano area. Analyses from a first pass of limited sampling returned copper values ranging from 1.25% to 3.12% and gold that returned 1.42 to 9.18 grams over widths from 1 to several meters. A core hole has been drilled on both Cerro Del Gallo and El Valenciano (Press Release April 6, 2010). However, until the issue of the one canceled permit is resolved, the core from these two holes will be held for analyses. (Press release June 14th, 2010) Two core holes were drilled in the area of Solana de la Virgen to assist in defining stratigraphy and geologic controls. Both holes were abandoned prior to the projected depths due to extremely poor ground conditions resulting from fractured and faulted ground. Management is evaluating how to address the situation in order to gather the needed geologic information from drilling.

A large airborne geophysical survey was flown over the entire project area in May. Fugro Airborne Surveys completed the survey using the DIGHEM system. The data from the airborne geophysical program has been processed and incorporated with geological and geochemical data. The interpretation of the data identified a number of features that could be associated with intrusive complexes. Interpretation of the data by a consulting geophysicist has noted that several of the potential intrusive sources may be deep but others may lie in closer proximity to surface. Results from the survey are being used in planning additional ground programs and assisting in delineating drill targets.

La Rioja, Argentina

The Company entered into an agreement to acquire seven categoos covering approximately 14,000 hectares located in the La Rioja province of Argentina that demonstrate strong potential for hosting uranium mineralization. In addition, the agreement extends to any other uranium properties identified by the HB syndicate within Argentina over the next two years that, with Western's agreement, merit acquisition. The agreement was finalized in February 2010 (Press Release February 9, 2010).

The seven categoos cover areas that are similar geologically to the producing basins in the Western United States that have been mined and have produced hundreds of millions of pounds of uranium. Compared to the uranium exploration history in the US these areas have not been subjected to the intense level of exploration or mining by the private sector. In addition to the geologic favorability of the area, the provincial government of La Rioja recently rescinded negative mining regulations, and the infrastructure and access are good compared with other prospective areas in Argentina. The company believes this represents a sound business opportunity to continue uranium exploration with a minimal outlay of expenditures, which will position Western Uranium well as the uranium sector revives. Preliminary field work started in April that consisted of stream sediment sampling, rock chip sampling and testing the individual categoos for anomalous radioactivity using hand held scintillometers. First pass sampling yielded a chemical assay of 0.05% uranium from a rock chip sample on one of the categoos which was encouraging from an area that has never been explored for uranium. A second pass program consisting of soil and rock chip sampling along with scintillometer readings was undertaken in July which focused mainly on the one catego that yielded the favorable geochemical results. A zone that is weakly anomalous was identified. The Company is evaluating whether additional work will be undertaken here or on any of the other sites.

Acquisition terms

Payment comprises US\$100,000 (paid), 500,000 units (issued) of WUC (a unit comprising one common share and a two-year one-half warrant) and a 2-per-cent net smelter return (NSR). Western Uranium will have the option to purchase any or all of the NSR at a price of US\$1-million per percentage interest.

Meryllion, South America

Subsequent to September 30, 2010, the Company established a new corporate entity to conduct exploration activities in South America. The new company, Meryllion Minerals Corporation ("Meryllion"), is a wholly-owned subsidiary of the Company. Meryllion has acquired an option to purchase the 14,000 hectare Cerro Amarillo-Cajon Grande copper-gold property ("Cerro Amarillo") located in the Malargüe District, in the Province of Mendoza, Argentina. Under the option agreement Meryllion has the exclusive right to engage in exploration activities on the properties for up to 52 months before exercising its option to acquire a 100% interest in the properties. The option is exercisable by Meryllion at any time, however, so long as the exploration program is ongoing, Meryllion will make payments to the owners of the property, which payments will total US\$525,000 if the exploration program continues for at least 40 months. When the option is exercised, Meryllion will pay a final purchase price of US\$2,500,000. The owners of the property will also be entitled to a 1% NSR in the event the properties are placed into commercial production.

Cerro Amarillo property covers approximately 14,000 hectares and lies at the southern end of the highly productive late Miocene – Pliocene magmatic arc that hosts the El Teniente and Los Bronces porphyry deposits in Chile. The main occurrence on the property contains a classical porphyry system that includes stockwork-, disseminated-, skarn-, breccia-, and vein-styles of mineralization which has not been drill tested. Recent work has led to the development of a first stage drill program for which Meryllion is currently in the process of obtaining necessary permits.

Selected Annual Financial Information

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

	Year Ended September 30, 2010 \$	Year Ended September 30, 2009 \$	Year Ended September 30, 2008 \$
Total assets	63,044,595	71,696,860	73,687,700
Mineral properties and deferred costs	16,954,820	22,016,788	20,215,906
Long term debt	-	-	-
Total revenues	-	-	-
Expenses	(10,085,379)	(2,091,913)	(3,180,659)
Net (loss)/income and comprehensive (loss)/income	(9,796,767)	(1,962,049)	1,214,975
(Loss)/income per common share – basic and diluted	(0.16)	(0.03)	0.02

Total assets decreased by \$8,652,265 during 2010 mainly due to the write-down of Kings Valley property by \$8,337,411 and \$1,397,795 cash expenditures on operating activities offset with increase in Investment in Western Lithium. Mineral properties and deferred costs decreased by \$5,061,968 mainly due to the exploration expenditures and acquisition costs of \$3,275,444 on the Company's properties offset with \$8,337,411 write down of Kings Valley property. The Company wrote-down the Kings Valley property considering the exploration results, current price for uranium and the subsequent to September 30, 2010 transaction value for the sale of WEDC to WLC. Expenses increased by \$7,993,466 mainly due to \$8,145,503 increase in the mineral property write-off during 2010 compared to 2009.

The Company recorded net loss of \$9,796,767 in 2010 compared to loss of \$1,962,049 in 2009. The increase in loss of \$7,834,718 is mainly due to \$8,145,503 increase in property write-off expense, increase in foreign exchange loss of \$1,115,772 due to the depreciation of US\$ denominated cash held by the company, \$299,678 decrease in interest income earned due to the reduced bank rates on the company's deposits in 2010 offset with \$1,902,342 increase in gain on dilution of interest in Western.

Selected Quarterly Financial Information and Fourth Quarter

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

	Year ended September 30, 2010				Year ended September 30, 2009			
	Q4 \$	Q3 \$	Q2 \$	Q1 \$	Q4 \$	Q3 \$	Q2 \$	Q1 \$
Total assets	63,044,595	71,514,968	71,293,281	72,121,085	71,696,860	73,767,892	75,800,205	75,639,878
Mineral properties and deferred costs	16,954,820	24,236,623	23,686,145	22,659,286	22,016,788	21,566,993	20,750,329	20,622,071
Total revenues	-	-	-	-	-	-	-	-
Expenses	(8,830,570)	(479,520)	(512,866)	(359,578)	(531,828)	(447,178)	(652,240)	(460,667)
Net (loss)/income for the period	(8,479,791)	8,154	(1,349,603)	24,473	(2,251,642)	(2,361,087)	26,187	2,624,493
(Loss)/income per common share – basic and diluted	(0.16)	0.00	(0.01)	0.01	(0.03)	(0.04)	0.00	0.04

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

Total assets

- Q4 2010: \$9,241,654 decrease in total assets is mainly due to the King Valley property write down of \$8,337,411 and foreign exchange loss of \$401,109. Foreign exchange occurred due to the decrease in value of US\$ denominated cash held by the Company and cash expenditures for operating activities.
- Q2 and Q3 2010: No significant change in total assets.
- Q4 and Q3 2009 decreases in total assets are mainly due to the cash spent on operating activities and depreciation of US currency in relation to Canadian dollar and decrease in the value of the Company's US\$ denominated cash.
- Q1 2010 increase in total assets is mainly due to the increase in Investment in Western Lithium due to gain on dilution recorded during the period offset with operating expenses and foreign exchange loss.
- Q2 2009 increase in total assets is mainly due to the appreciation of US currency in relation to Canadian dollar and increase in the value of the Company's US\$ denominated cash offset with operating expenditures.

Mineral properties and deferred costs

- Q4 2010: \$7,281,803 decrease is mainly due to \$8,337,411 write down of Kings Valley property offset with \$1,055,608 property expenditures.
- Q3 2010 increase is mainly due to the expenditures on Baza property in Spain.
- Q2 2010 increase of \$1,026,859 is mainly due to exploration expenditures of \$276,922 on Kings Valley property in Nevada, \$270,045 on Baza property in Spain and \$577,841 on La Rioja property in Argentina. La Rioja expenditures included non-cash acquisition costs of \$440,000 for the valuation of 500,000 units issued for the acquisition of La Rioja property.
- Q1 2010 increase is mainly due to exploration expenditures on the Company's Kings Valley and Baza properties. The Company made US\$125,000 option payment on Kings Valley property and US\$100,000 payment upon acquisition of the Baza option.
- The increase in Q4 and Q3 2009 is mainly due to the drilling program on the Company's King's Valley property. Q4 2009 also included Kings Valley holding fees of \$306,886 offset with \$191,908 properties write-down. There was no significant increase during Q2 2009.

Expenses

- Q4 2010 increased mainly due to the write down of Kings Valley property by \$8,337,411.
- There were no significant fluctuations in Q3 and Q2 2010 expenses. In the individual expense categories of the Q3 there was an increase in the stock based compensation expense due to the stock options granted on June 10, 2010 and increase in investor relations expense due to the engagement of shareholder communication firm prior to the Company's annual general meeting.

- Q4 2009 increase is due to the \$168,082 property write down during the period offset with decrease in stock-based compensation.
- Q3 and Q2 2009 – increases are mainly due to the non-cash stock-based compensation. The stock-based compensation increased due to 600,000 stock options granted during the two periods.

Net loss

In addition to expenses net loss for the periods includes the following significant items:

- Q4 2010: equity loss of \$336,619 was recorded under the equity accounting for the Company's investment in WLC. Foreign exchange loss of \$401,109 was recorded mainly due to depreciation of the US\$ denominated cash held by the Company.
- Q3 2010: equity loss of \$200,126 was recorded under the equity accounting for the Company's investment in WLC. Foreign exchange gain of \$624,091 was recorded mainly due to appreciation of the US\$ denominated cash held by the Company.
- Q2 2010: equity loss of \$399,177 was recorded under the equity accounting for the Company's investment in WLC. Foreign exchange loss of \$553,091 was recorded mainly due to depreciation of the US\$ denominated cash held by the Company.
- Q1 2010: \$1,080,303 gain on dilution of interest in WLC and equity loss of \$316,474 for the Company's investment in WLC. The gain on dilution was realized mainly due to WLC financing closed on October 14, 2009. Foreign exchange loss of \$405,930 mainly due to depreciation of the US\$ denominated cash held by the Company.
- Q4 2009: Future income tax recovery of \$279,985 mainly due to the recognition of the tax benefit from Company's current year tax losses; foreign exchange loss of \$1,600,322 due to Canadian/US dollar exchange fluctuations and its effect on the Company's US\$ denominated funds on deposit. US dollar closing price on September 30 2009, was CDN\$1.0707 or ~8% decrease from the CDN\$1.163 closing price on June 30, 2009. The Company held approximately US\$17.1 million as at September 30, 2009. In addition, Q4 2009 net loss includes \$389,893 equity loss in Western Lithium.
- Q3 2009: Foreign exchange loss of \$1,777,456 was recorded in the period. The foreign exchange adjustment primarily is a result of Canadian/US dollar exchange fluctuations and its effect on the Company's US\$ denominated funds on deposit and conversion of US\$ denominated property expenditures of its US subsidiary upon consolidation. US dollar closing price on June 30 2009, was CDN\$1.163 or ~8% decrease from the CDN\$1.2613 closing price on December 31, 2008. In addition, Q3 2009 net loss includes \$301,638 equity loss in Western Lithium.
- Q2 2009: Foreign exchange gain of \$808,359 was recorded in the period. US dollar closing price on March 31, 2009, was 3.5% higher from the closing price on December 31, 2008.
- Q1 2009: Foreign exchange gain of \$2,949,152 was recorded in the period primarily is a result of Canadian/US dollar exchange. US dollar closing price on December 31, 2008 was 14.5% higher from the closing price on September 30, 2008.

Results of Operations

The Company generated a net loss of \$9,796,767 (\$0.16 per share) during the year ended September 30, 2010 ("2010"), compared to the loss of \$1,962,049 (\$0.03 per share) during the year ended September 30, 2009 ("2009"). The significant components of the Company's general and administrative expenses and other income are discussed below.

The significant items included in the net loss for the 2010 compared to 2009 were as follows: (a) audit and accounting expense of \$141,423 (2009 - \$172,441) are mainly for accounting salaries and audit fees; (b) 2010 investor relations fees of \$140,625 included the Company's investor relations consultant and shareholder communications firm fees which was engaged by the Company prior to the annual general meeting; \$54,000 investor relations fees in 2009 were paid to the Company's investor relations consultant; (c) \$8,337,411 mineral property write-off was recorded in 2010 and \$191,908 in 2009; (d) 2010 stock based compensation was \$305,673 (2009 - \$418,793) for the stock options vested during the periods. Decrease in stock-based compensation expense is due to fewer stock options granted and vested during 2010; (e) \$30,000 in 2010 corporate development expenses and \$40,000 in 2009 incurred in connection with the investment banker fees for evaluating various strategic acquisitions for the Company; (f) \$527,350 in 2010 wages and benefits compared to \$675,864 in 2009 was paid to the Company's Reno office employees. 2010 wages and benefits expense was lower as more of the employee's time was spent on projects and included in the mineral property costs; (g) consulting fees of \$135,821 in 2010 and \$126,000 in 2009 consist mainly of fees paid to related parties for corporate activities; (h) travel increased to \$82,741 in 2010 from \$47,787 in 2009 mainly due to the trips for evaluation of various properties; (i) legal fees of \$157,244 were higher in 2010 compared to \$42,510 in 2009 due to the increase in corporate activities.

Income from other items consists of the following:

- Interest income of \$123,629 decreased in 2010 compared to \$423,307 in 2009, mainly due to the decline in interest rates offered by the banks for the Company's deposits.
- Foreign exchange loss of \$736,039 was recorded in 2010 compared to the gain of \$379,733 in 2009. The foreign exchange adjustment primarily is a result of Canadian/US dollar exchange fluctuations and its effect on the Company's US\$ denominated funds on deposit and conversion of US\$ denominated property expenditures of its US subsidiaries upon consolidation.
- Equity loss in Western Lithium of \$1,252,396 was recorded in 2010 (\$1,007,128 in 2009) for the Company's interest in Western Lithium loss for the same period.
- Gain on dilution of interest in Western Lithium (\$1,956,309 in 2010 and \$53,967 in 2009) was due to the reduction of the Company's interest in Western Lithium on the the financings completed by Western Lithium during the periods.
- Future income tax recovery of \$197,109 was recorded in 2010 and \$279,985 in 2009. Future income tax recovery was recognized mainly for the future tax benefit from the Company's current year tax losses.

Liquidity and Capital Resources

The Company's cash position at September 30, 2010 was \$40,040,206, a decrease of \$6,318,189 from September 30, 2009 mainly due to exploration expenditures of \$2,833,685, purchase of Western Lithium shares in a private placement for \$1,402,200, operating expenditures of \$1,397,783 and foreign exchange loss on cash of \$684,521. As at the date of this MD&A, the Company's working capital is approximately \$38,000,000.

On October 14, 2009 the Company purchased 1,476,000 units of Western Lithium at a price of \$0.95 per unit, pursuant to a private placement. Each unit consisted of one common share and one-half of a share purchase warrant, with each whole share purchase warrant being exercisable into one additional common share of Western Lithium at a price of \$1.25 per share for eighteen months.

The Company currently holds 19,685,393 shares of Western Lithium or approximately 23.8%. The Company also holds 3,000,000 warrants of Western Lithium at an exercise price of \$0.60 per share expiring on May 6, 2011 and 738,000 warrants at an exercise price of \$1.25 per share expiring on April 14, 2011.

The Company considers that it is well financed to allow funding of the current exploration stage assets and programs for several years, and in addition to fund continued growth through the acquisition of new quality assets. The requirement for further equity financing is most likely to be related to the advancement of one of the Company's exploration assets to a resource delineation or feasibility stage.

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 used in operating activities during 2010 was \$1,397,783, compared to \$1,066,015, mainly as a result of \$684,521 foreign exchange loss on cash realized in 2010 and foreign exchange gain of \$445,880 in 2009.

Financing Activities

During the year ended September 30, 2010 and 2009, the Company did not have any financing activities.

The Company entered into a strategic alliance agreement with Cameco Corporation (“Cameco”) on August 29, 2007. Please refer to the annual MD&A for the year ended September 30, 2009 for more details.

Investing Activities

Investing activities required cash of \$4,235,885 during 2010, compared to \$4,167,181 during 2009. 2010 exploration expenditures were primarily on Baza and Kings Valley while 2009 expenditures were primarily on the Kings Valley property.

Related Party Transactions

During the years ended September 30, 2010 and 2009, the Company entered into transactions with related parties as follows:

- a) paid \$28,000 (2009 - \$48,000) in consulting fees, \$34,140 (2009 - \$30,000) in administration fees and \$73,140 (2009 - \$56,040) in accounting fees to a company controlled by a former director of the Company. The administration fees are included in consulting expense;
- b) paid or accrued \$56,027 (2009 - \$48,000) in consulting expense and \$27,584 (2009 - \$Nil) in mineral property and deferred costs geological consulting fees to the Company’s director. \$4,047 (2009 - \$4,000) of these fees remains in accounts payable and accrued liabilities;
- c) paid \$10,935 (2009 - \$2,832) for the environmental consulting which is included in mineral property and deferred costs to a former director of the Company.

The Company entered into a Mining Lease and Option Agreement with Western Lithium, with which it had two common directors at the time. The companies currently have one common director.

These transactions were in the normal course of operations and were measured at the exchange value, which represented the amount of consideration established and agreed to by the related parties.

Commitments

The Company has committed to rent office space for the following annual amounts:

2010	\$12,740
2011	<u>\$6,349</u>
	\$19,089

Upon closing of the sale of WEDC to WLC, the Company's Strategic Alliance with Cameco, related to the exploration and development of uranium properties, will be concluded, for consideration of \$2.5 million to be paid by the Company to Cameco and the grant to Cameco of a 20% gross overriding royalty over the Kings Valley mineral property solely in respect of uranium.

Subsequent to September 30, 2010, the Company made a severance payment of US\$600,000 to the resigning President and CEO of the Company.

Off-balance Sheet Arrangements

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

Investment in Western Lithium

On July 16, 2008 the Company closed its statutory plan of arrangement with its wholly-owned subsidiary, Western Lithium Canada Corporation (subsequently changed its name to Western Lithium USA Corporation or "Western Lithium"). As part of the Arrangement, the Company's shareholders of record as of June 19, 2008 received one Western Lithium share for every three of the Company's shares held. Accordingly, 19,734,361 shares in Western Lithium were distributed to shareholders of the Company by way of an in-kind dividend.

On completion of the Arrangement, the Company no longer controlled Western Lithium and ceased to consolidate it from that date. On May 6 2009, the Company made an additional investment in Western Lithium by purchasing 3,000,000 units of Western Lithium, priced at \$0.50 per unit for the total investment of \$1,500,000. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the Company to purchase an additional common share of Western Lithium for a period of 2 years at an exercise price of \$0.60 per share. On October 14, 2009, the Company has purchased an additional 1,476,000 units of Western Lithium at a price of \$0.95 per unit, pursuant to a private placement. Each unit consisted of one common share and one-half of a share purchase warrant, with each whole share purchase warrant being exercisable into one additional common share of Western Lithium at a price of \$1.25 per share for eighteen months.

The Company accounts for its investment using the equity method. Under the equity method, the Company recognized an equity loss of \$1,252,396 in Western Lithium for the year ended September 30, 2010 (2009 - \$1,007,128). The Company also recorded \$1,956,309 (2009 - \$53,967) gain on dilution of interest in Western Lithium and \$524,263 (2009 - \$438,586) of its proportionate share of Western Lithium's contributed surplus for the same period.

As at September 30, 2010, the Company owned 19,685,393 or 23.8% of the issued and outstanding shares of Western Lithium and continues to account for its investment using the equity method. The Company also holds 3,000,000 warrants of Western Lithium at an exercise price of \$0.60 per share expiring on May 6, 2011 and 738,000 warrants at an exercise price of \$1.25 per share expiring on April 14, 2011.

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, 2010. These accounting policies can have a significant impact of the financial performance and financial position of the Company.

New accounting policies and standards

Issued but not Adopted Primary Sources of GAAP

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.

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 effective changeover date for the Company is October 1, 2011. Following the timeline the Company will issue its first interim financial statements under IFRS for the three months ended December 31, 2011 including comparative IFRS financial results and an opening balance sheet as at October 1, 2012. The first consolidated financial statements will be prepared for the year ended September 30, 2011 with restated comparatives for the year ended September 30, 2011.

The Company has completed its analysis of significant differences between Canadian GAAP and IFRS of its existing financial statement line items and has identified a number of differences.

IFRS 1 “First Time Adoption of IFRS”, provides a number of optional exemptions and mandatory exceptions to the general requirement for full retrospective application of IFRS. Below are significant areas where changes in accounting policies may have the highest potential impact on the Company’s financial statements:

Foreign Currency

Under IFRS the functional currency of each subsidiary must be determined separately in accordance with IAS 21. Under IFRS, the Company will assess the appropriate functional currency based on existing circumstances which may have a significant impact on the Company’s financial statements.

Impairment of Mineral Properties

Canadian GAAP generally uses a two-step approach to impairment testing. First, the asset’s carrying value is compared with undiscounted future cash flows to determine whether impairment exists. Second, the asset’s impairment measured by comparing the carrying value with discounted cash flows. IAS 36 “Impairment of Assets” uses a one-step approach for both testing and measurement of impairment, with asset carrying value compared directly with the higher of fair value less costs to sell and value in use using discounted future cash flows.

Share Based Payments

IFRS and Canadian GAAP largely converge on the accounting for share-based payments with a few differences. Canadian GAAP allows either accelerated or straight line method of amortization for the fair value of vesting stock options. The Company currently is using the grading accelerated method. IFRS allows grading accelerated method and therefore it is not expected to have impact on the Company's financial statements.

Exploration and Evaluation of Assets

Under Canadian GAAP, acquisition costs of mineral properties and deferred exploration expenses incurred are capitalized. Upon adoption of IFRS the Company can choose to continue with the existing policy or to expense exploration expenditures until the completion of a feasibility study.

Future Income Taxes

Deferred income taxes under IFRS and Canadian GAAP are determined using the liability method for temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for accounting and by applying tax rates applicable to the Company to such temporary differences. Under IFRS, the temporary differences related to equity are recognized in equity and subsequent changes are traced to equity. IFRS prohibits recognition where deferred income taxes arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting nor taxable net earnings.

The IFRS continue to issue new standards and as a result the final impact of IFRS on the Company's financial statements are currently not known. The Company will disclose the impact of IFRS adoption in due course as policies are issued, elected and approved. The disclosure and presentation required under IFRS will contain a significantly more information and will result in extensive note disclosures. The Company is continuing to evaluate the required disclosure. The Company's information system will require minimum changes to report under IFRS.

Financial Instruments Risk Exposure

Credit risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. 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. 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, 2010, the Company had cash and cash equivalents balance of \$40,040,206 (2009 - \$46,358,395) to settle current liabilities of \$128,875 (2009 - \$132,090). 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.

Concentration risk

The Company's cash and cash equivalents are subject to the concentration risk. The Company limits its exposure to concentration risk by placing most of its cash balance with major Canadian financial institutions. As at September 30, 2010, \$1,439,230 (September 30, 2009 - \$2,352,940) was held in US Bank, \$20,229,752 (September 30, 2009 - \$20,509,040) in Royal Bank of Canada and \$18,371,224 (September 30, 2009 - \$22,096,416) was held in HSBC Bank Canada ("HSBC").

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

The Company's current assets and liabilities are denominated in Canadian dollars, US dollars and Euros as follows:

	September 30, 2010			
	CDN\$	US\$	Euros	Total \$
Cash and cash equivalents	24,096,497	14,364,488	1,579,221	40,040,206
Receivables	22,276	8,517	-	30,793
Prepaid expenses and deposits	15,881	15,782	-	31,663
Accounts payables and accrued liabilities	(54,595)	(74,280)	-	(128,875)
	24,080,059	14,314,507	1,579,221	39,973,787

	September 30, 2009			
	CDN\$	US\$	Euros	Total \$
Cash and cash equivalents	28,227,212	18,131,183	-	46,358,395
Receivables	5,965	7,172	-	13,137
Prepaid expenses and deposits	14,478	6,580	-	21,058
Accounts payables and accrued liabilities	(48,459)	(83,631)	-	(132,090)
	28,199,196	18,061,304	-	46,260,500

US dollar amounts have been translated at a value of CDN\$1.029 for US\$1.00 (September 30, 2009 - CDN\$1.0707). Amounts in Euros have been translated at a value of CDN\$1.4006 for 1 Euro. If the US dollar appreciates by 1% in relation to Canadian dollar, the Company's net income would increase by approximately \$143,145 (2009 - \$191,323). If the Euro appreciates by 1% in relation to Canadian dollar, the Company's net income would increase by approximately \$15,792. There were no Euro denominated balances held as at September 30, 2009.

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 and cash equivalents maintained at the financial institutions are subject to a floating rate of interest. If the interest rate on the Company's cash maintained in the financial institutions decreases by 0.1%, the Company's net income would decrease by approximately \$40,402 (2009 - \$48,521).

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, accumulated other comprehensive income 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 properties in which the Company currently has an interest are 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. The Company was not subject to externally imposed capital requirements during 2010 and 2009.

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.

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 relate to the determination of environmental obligations and impairment of mineral properties and deferred costs. Actual results may differ from these estimates. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

Mineral Properties and Deferred Costs

Consistent with the Company's accounting policy disclosed in Note 2 of the annual consolidated financial statements, direct costs related to the acquisition and exploration of mineral properties held or controlled by the Company have been capitalized on an individual property basis. It is the Company's policy to expense any exploration associated costs not related to specific projects or properties. 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 or its carrying value has been impaired, a provision is made for any expected loss on the project or property. To date the impairment of long-lived assets identified was on Kings Valley property in 2010 and Thelon Basin property, Virgin Valley and Pamlico properties in 2009. During 2010 and 2009, the Company wrote-off to an aggregate of \$8,529,319 of deferred exploration expenditures and acquisition costs.

Risk Factors

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.

Metal Price Risk: The Company's portfolio of properties has exposure to uranium, gold and copper. The price of these metals 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 these metals 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.

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.

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.

Share Data Information

As at the date of this MD&A, there were 59,871,834 common shares, 2,960,000 stock options and 250,000 warrants outstanding. As at the date of this report the following incentive stock options are outstanding and exercisable:

	Number of Options Outstanding	Number of Options Exercisable	Exercise Price	Expiry Date
	475,000	475,000	\$ 0.94	March 31, 2011
	75,000	75,000	\$ 0.94	June 8, 2011
	100,000	100,000	\$ 0.94	October 17, 2011
	100,000	100,000	US\$ 1.58	January 29, 2012
	300,000	300,000	\$ 2.85	March 30, 2012
	50,000	50,000	\$ 1.91	October 11, 2012
	300,000	300,000	\$ 1.49	December 6, 2012
	500,000	500,000	\$ 0.83	January 21, 2014
	100,000	100,000	\$ 0.90	May 6, 2014
	560,000	280,000	\$ 0.85	June 6, 2015
	200,000	50,000	\$ 0.85	November 10, 2015
	1,000,000	250,000	\$ 0.95	December 31, 2015
Total	3,760,000	2,580,000		

The Company's 250,000 outstanding warrants are priced at \$1.00 per warrant and have expiry date of February 6, 2012.

Investor Relations

Edward Flood, President, CEO and Director, coordinates investor relations' activities. The Company also engaged an outside Investor Relations consultant.

Change in Directors and Management

Ed Flood, previously Chairman of the Company, was appointed as Chairman, President and Chief Executive Officer, effective December 31, 2010. Pamela Klessig resigned as President and CEO of Western Uranium effective December 31, 2010. Pamela remains as a director and entered into a consulting agreement with the Company.

Kevin Hisko, Partner at the Company's counsel McCullough O'Conner Irwin LLP, has been appointed Corporate Secretary of the Company effective December 31, 2010. Eileen Au has resigned as Corporate Secretary of the Company, also effective as of December 31, 2010.

On June 3, 2010 the Company announces that John Fognani has joined the Company's board of directors and Ms. Debra Struhsacker has resigned from the board of directors.

Effective December 14, 2009, Mr. Colin Macdonald has been appointed a director of the Company. Colin is Vice President of Exploration at Cameco Corporation and has resigned as a Director of Western Uranium in December 2010 as a result of the previously announced conclusion of Western Uranium's Strategic Alliance with Cameco, related to the exploration and development of uranium properties.

Mr. John Proust was not nominated for the re-election to the Board of Directors at the Company's AGM and ceased to be a director effective April 23, 2010.