
CONCORDIA RESOURCE CORP.

(Formerly Western Uranium Corporation)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED
JUNE 30, 2011

(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

CONCORDIA RESOURCE CORP.
(formerly Western Uranium Corporation)
INTERIM CONSOLIDATED BALANCE SHEETS
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

	June 30, 2011	September 30, 2010
	\$	\$
A S S E T S		
CURRENT ASSETS		
Cash and cash equivalents	30,869,204	40,040,206
Receivables	32,678	30,793
Prepaid expenses and deposits	<u>117,624</u>	<u>31,663</u>
	31,019,506	40,102,662
MINERAL PROPERTIES AND DEFERRED COSTS (Note 4)	3,898,043	16,954,820
EQUIPMENT (Note 5)	10,207	11,788
INVESTMENT IN WESTERN LITHIUM (Note 3)	<u>14,710,603</u>	<u>5,975,325</u>
	<u>49,638,359</u>	<u>63,044,595</u>
L I A B I L I T I E S		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	312,206	128,875
FUTURE INCOME TAX LIABILITY	<u>-</u>	<u>1,386,227</u>
	<u>312,206</u>	<u>1,515,102</u>
S H A R E H O L D E R S ' E Q U I T Y		
SHARE CAPITAL (Note 6)	72,494,723	72,494,723
CONTRIBUTED SURPLUS (Note 6)	7,452,454	5,758,943
ACCUMULATED OTHER COMPREHENSIVE INCOME	(159,931)	(159,931)
DEFICIT	<u>(30,461,093)</u>	<u>(16,564,242)</u>
	<u>49,326,153</u>	<u>61,529,493</u>
	<u>49,638,359</u>	<u>63,044,595</u>

Nature of operations (Note 1)
Commitments (Notes 4 and 10)
Subsequent event (Note 13)

On behalf of the Board:

"Terry Krepiakovich"

Director

"John Fognani"

Director

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

CONCORDIA RESOURCE CORP.
(formerly Western Uranium Corporation)
INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2011 \$	2010 \$	2011 \$	2010 \$
EXPENSES				
Amortization	705	1,390	1,580	4,228
Audit and accounting	27,253	30,787	102,353	110,886
Conferences	27,214	-	51,082	-
Consulting fees (Note 7)	85,446	27,492	270,674	98,483
Corporate development	-	-	220,000	-
Investor relations	36,845	64,786	97,355	96,786
Legal fees	29,149	50,338	166,127	125,478
Office and miscellaneous	86,235	29,001	175,511	81,189
Property investigation	13,333	(17)	44,738	2,583
Regulatory and filing fees	5,624	9,820	25,626	32,635
Rent	46,845	15,624	143,959	51,719
Stock-based compensation (Note 6)	455,467	136,447	1,338,767	209,129
Travel	88,554	12,773	227,011	69,366
Wages and benefits (Note 7)	352,227	101,079	1,491,206	372,327
Mineral properties write-off (Note 4)	-	-	9,995,280	-
	1,254,897	479,520	14,351,269	1,254,809
LOSS BEFORE OTHER ITEMS	(1,254,897)	(479,520)	(14,351,269)	(1,254,809)
OTHER ITEMS				
Gain on dilution of interest in Western Lithium (Note 3)	625,752	33,745	1,085,403	1,204,210
Equity loss in Western Lithium (Note 3)	(381,529)	(200,126)	(1,217,674)	(915,777)
Foreign exchange (loss)/gain	(50,998)	624,091	(856,926)	(334,930)
Interest income	72,390	29,964	194,933	81,485
	265,615	487,674	(794,264)	34,988
LOSS BEFORE INCOME TAXES	(989,282)	8,154	(15,145,533)	(1,219,821)
FUTURE INCOME TAX RECOVERY	-	-	1,248,682	-
LOSS AND COMPREHENSIVE LOSS	(989,282)	8,154	(13,896,851)	(1,219,821)
DEFICIT - BEGINNING OF PERIOD	(29,471,811)	(7,995,450)	(16,564,242)	(6,767,475)
DEFICIT - END OF PERIOD	(30,461,093)	(7,987,296)	(30,461,093)	(7,987,296)
LOSS PER SHARE - BASIC AND DILUTED	(0.02)	(0.00)	(0.23)	(0.02)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC AND DILUTED	59,871,834	59,871,834	59,871,834	59,639,233

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

CONCORDIA RESOURCE CORP.
(Formerly Western Uranium Corporation)
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2011 \$	2010 \$	2011 \$	2010 \$
OPERATING ACTIVITIES				
Loss for the period	(989,282)	8,154	(13,896,851)	(1,219,821)
Items not affecting cash:				
Amortization	705	1,390	1,580	4,228
Gain on dilution of interest in Western Lithium	(625,752)	(33,745)	(1,085,403)	(1,204,210)
Equity loss in Western Lithium	381,529	200,126	1,217,674	915,777
Mineral property write-off	-	-	9,995,280	-
Future income tax	-	-	(1,248,682)	-
Stock-based compensation	455,467	136,447	1,338,767	209,129
Unrealized foreign exchange loss/(gain)	50,998	(624,091)	856,926	334,930
Changes in non-cash working capital items:				
Decrease/(increase) in receivables	33,503	32,217	(1,884)	(9,021)
(Increase)/decrease in prepaid expenses and deposits	(64,255)	3,540	(93,881)	10,914
Increase/(decrease) in accounts payable and accrued liabilities	54,984	(8,497)	82,023	(18,096)
Net cash used in operating activities	(702,103)	(284,459)	(2,834,451)	(976,170)
INVESTING ACTIVITIES				
Acquisition of mineral properties and deferred costs	(332,582)	(547,440)	(3,679,625)	(1,852,357)
Investment in Western Lithium	(1,800,000)	-	(1,800,000)	(1,402,188)
Net cash used in investing activities	(2,132,582)	(547,440)	(5,479,625)	(3,254,545)
FOREIGN EXCHANGE ON CASH AND CASH EQUIVALENTS				
	(50,998)	624,091	(856,926)	(334,930)
CHANGE IN CASH AND CASH EQUIVALENTS	(2,885,683)	(207,808)	(9,171,002)	(4,565,645)
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	33,754,887	42,000,558	40,040,206	46,358,395
CASH AND CASH EQUIVALENTS - END OF PERIOD	30,869,204	41,792,750	30,869,204	41,792,750
CASH AND CASH EQUIVALENTS IS COMPRISED OF:				
Cash	3,123,216	25,181,562	3,123,216	25,181,562
Term deposits	27,745,988	16,611,188	27,745,988	16,611,188
	30,869,204	41,792,750	30,869,204	41,792,750

Supplemental disclosure with respect to cash flows (Note 8)

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

CONCORDIA RESOURCE CORP.
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NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED JUNE 30, 2011
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS

Concordia Resource Corp. (the “Company” or “Concordia”) is a Canadian based resource company focused on exploration, acquisition and advancement of mineral properties (Note 4). The Company was incorporated under the provisions of the British Columbia Business Corporations Act on February 7, 2000. On April 5, 2011, the Company changed its name from Western Uranium Corporation to Concordia Resource Corp.

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 dependant 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 operations for the next year.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The interim period consolidated financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”) for the preparation of interim financial statements. The most significant of these accounting principles have been set out in September 30, 2010, audited 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. 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, 2010.

These interim consolidated 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. Based on its current plans, budgeted expenditures, and cash requirements, the Company has sufficient cash to finance its current plans for at least 12 months from the date of approval of the financial statements. These interim consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue its business.

Comparative figures

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

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

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

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, 2010. The first consolidated financial statements will be prepared for the year ended September 30, 2012, with restated comparatives for the year ended September 30, 2011.

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3. 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 which 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 and the Company retained 15,209,393 shares of Western Lithium.

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 a total investment of \$1,500,000. Each unit consisted one share and one share purchase warrant. On October 14, 2009, the Company purchased 1,476,000 shares of Western Lithium at a price of \$0.95 per share pursuant to a private placement. On March 10, 2011, the Company completed the sale transaction of the royalties and titles constituting substantially all of the Kings Valley mineral property and received in consideration from Western Lithium USA Corporation 5,855,000 common shares with a fair value of \$1.17 per share. On May 3, 2011, the Company purchased 3,000,000 common shares of Western Lithium pursuant to the exercise of 3,000,000 previously issued share purchase warrants at an exercise price of \$0.60 per warrant for a total investment of \$1,800,000.

The Company accounts for its investment using the equity method. Under the equity method, the Company recognized an equity loss of \$1,217,674 in Western Lithium for the nine months ended June 30, 2011 (2010 - \$915,777). The Company also recorded a \$1,085,403 (2010 –\$1,204,210) gain on dilution of interest in Western Lithium and \$217,199 (2010 - \$479,406) of its proportionate share of Western Lithium’s contributed surplus for the same period.

As at June 30, 2011, the Company owned 28,540,393 or 28.35% of the issued and outstanding shares of Western Lithium and continues to account for its investment using the equity method. The Company’s share transactions with Western Lithium are summarized in the table below:

	Number of Shares Received	Amount, \$	Amount Paid, \$
Investment in Western Lithium			
As at September 30, 2009	18,209,393	3,270,060	1,500,000
Private placement	1,476,000	1,402,200	1,402,200
Equity loss	-	(1,252,396)	-
Share of Western Lithium contributed surplus	-	599,152	-
Gain on dilution	-	<u>1,956,309</u>	-
As at September 30, 2010	<u>19,685,393</u>	5,975,325	2,902,200
Shares received for Kings Valley royalties and property claims	5,855,000	6,850,350	-
Warrants exercise	3,000,000	1,800,000	1,800,000
Equity loss	-	(1,217,674)	-
Share of Western Lithium contributed surplus	-	217,199	-
Gain on dilution	-	<u>1,085,403</u>	-
As at June 30, 2011	<u>28,540,393</u>	14,710,603	4,702,200

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4. MINERAL PROPERTIES AND DEFERRED COSTS

For the nine months ended June 30, 2011	Thelon Basin, Canada	Kings Valley, USA	Albisu, USA	Treeline, USA	Baza, Spain	La Rioja, Argentina	Cerro Amarillo, Argentina	Providencia, Argentina	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Acquisition costs									
Balance, beginning of period	1,253,203	4,119,075	-	389,967	117,556	581,006	-	-	6,460,807
Additions	<u>8,522</u>	<u>2,575,316</u>	<u>9,735</u>	<u>18</u>	<u>108,903</u>	<u>-</u>	<u>52,989</u>	<u>48,380</u>	<u>2,803,863</u>
Balance, end of period	<u>1,261,725</u>	<u>6,694,391</u>	<u>9,735</u>	<u>389,985</u>	<u>226,459</u>	<u>581,006</u>	<u>52,989</u>	<u>48,380</u>	<u>9,264,670</u>
Deferred exploration costs									
Drilling	-	2,324	-	-	232,353	-	-	-	234,677
Geological and consulting	325	40,352	-	26,929	285,212	11,360	26,755	90,723	481,656
Mapping, supplies and other	-	9,887	-	-	5,529	2,474	-	23,026	40,916
Sampling	-	17,911	-	-	68,142	-	-	-	86,053
Transportation and travel	-	-	-	-	26,661	-	2,371	46,338	75,370
Foreign tax	-	-	-	-	66,318	-	-	-	66,318
Total deferred exploration costs	325	70,474	-	26,929	684,215	13,834	29,126	160,087	984,990
Balance, beginning of period	<u>6,087,790</u>	<u>2,730,925</u>	<u>-</u>	<u>386,752</u>	<u>1,210,225</u>	<u>78,321</u>	<u>-</u>	<u>-</u>	<u>10,494,013</u>
Balance, end of period	<u>6,088,115</u>	<u>2,801,399</u>	<u>-</u>	<u>413,681</u>	<u>1,894,440</u>	<u>92,155</u>	<u>29,126</u>	<u>160,087</u>	<u>11,479,003</u>
Disposition of property	-	(6,850,350)	-	-	-	-	-	-	(6,850,350)
Written off during the period	(7,349,840)	(2,645,440)	-	-	-	-	-	-	(9,995,280)
Total mineral property costs	-	-	9,735	803,666	2,120,899	673,161	82,115	208,467	3,898,043

For the year ended September 30, 2010	Thelon Basin, Canada	Kings Valley, USA	Treeline, USA	Baza, Spain	La Rioja, Argentina	Total
	\$	\$	\$	\$	\$	\$
Acquisition costs						
Balance, beginning of year	1,253,203	3,802,707	365,337	-	-	5,421,247
Additions	-	394,441	24,630	117,556	581,006	1,117,633
Option payment received	-	(78,073)	-	-	-	(78,073)
Balance, end of year	<u>1,253,203</u>	<u>4,119,075</u>	<u>389,967</u>	<u>117,556</u>	<u>581,006</u>	<u>6,460,807</u>
Deferred exploration costs						
Drilling	-	547,067	-	172,250	-	719,317
Geological and consulting	-	213,064	287	423,602	50,030	686,983
Geophysics	-	55,385	-	359,720	-	415,105
Mapping, supplies and other	(809)	62,219	-	77,453	9,295	148,158
Sampling	-	63,676	-	47,677	4,859	116,212
Transportation and travel	-	6,448	-	28,763	8,881	44,092
Foreign tax	-	-	-	100,760	5,256	106,016
Total deferred exploration costs	(809)	947,859	287	1,210,225	78,321	2,235,883
Balance, beginning of year	<u>6,088,599</u>	<u>10,120,477</u>	<u>386,465</u>	<u>-</u>	<u>-</u>	<u>16,595,541</u>
Balance, end of year	<u>6,087,790</u>	<u>11,068,336</u>	<u>386,752</u>	<u>1,210,225</u>	<u>78,321</u>	<u>18,831,424</u>
Written-off during the year	-	(8,337,411)	-	-	-	(8,337,411)
Total mineral property costs	7,340,993	6,850,000	776,719	1,327,781	659,327	16,954,820

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4. MINERAL PROPERTIES AND DEFERRED COSTS (continued)

Kings Valley Claims, Nevada, USA

In January 2005, the Company entered into a Mining Option Agreement with Uravada Inc. (“Uravada”) to acquire all of Uravada’s interest in certain mining claims located in Nevada. The Company paid US\$25,000 and acquired Uravada’s interest by making additional payments of US\$380,000 from 2006 to 2010. This agreement is subject to a 3% net smelter return royalty. Commencing on January 21, 2011, and each year thereafter, the Company shall pay to Uravada US\$50,000 (Q2 2011 - US\$50,000 paid) in advance net smelter return royalty payments.

In November 2005, the Company entered into a Mining Option Agreement to acquire a 50% interest in four mining claims forming part of the Kings Valley Claims. The Company paid US\$1,500 and acquired the 50% interest by making additional payments of US\$27,500 from 2006 to 2010. The Company’s interest in the claim is subject to a 1.5% net smelter return royalty. The Company shall pay an annual advance net smelter return royalty payment of US\$1,785, commencing November 15, 2011.

In November 2005, the Company entered into a 20 year renewable mining lease on two claims forming part of the King Valley Claims. The terms of the lease require the Company to make advanced scheduled minimum royalty payments of US\$45,000 from 2005 to 2010 (paid) and US\$10,000 on or before each anniversary thereafter, to be credited against any production royalties that may accrue and against the purchase price. The advance minimum royalty payments shall be paid in two installments each year, half on the anniversary date and half six months later. After commencement of production of minerals from the claims, the Company shall pay an annual 2% net smelter return royalty or US\$10,000 a year, whichever is greater. The Company has an option to purchase the claims for US\$100,000, less any amounts previously paid as advance royalty payments, in which case no further royalties are payable.

During the years ended September 30, 2007, 2006 and 2005, the Company staked and filed a number of federal lode mining claims, with the Bureau of Land Management, on this property.

During 2010 the Company wrote-off \$8,337,411 of deferred exploration expenditures on the Kings Valley claims. The Company wrote-down the Kings Valley property considering the exploration results, current price for uranium and transaction value for the sale of the property to Western Lithium.

In March 2011, Concordia and Western Lithium completed the purchase and sale transaction of the royalties and titles constituting substantially all (excluding Albus claims) of the Kings Valley mineral property.

Option Agreement with Western Lithium prior to the Sale of Kings Valley Claims

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

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4. MINERAL PROPERTIES AND DEFERRED COSTS (continued)

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 the Company US\$25,000 (paid), US\$50,000 on the first anniversary of the effective date of the Lease Agreement (paid), 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. The lease payments will be credited against the Kings Valley property costs upon receipt. These payments are applied against any royalty payments. Western Lithium has agreed to pay to the Company a Net Smelter Returns Royalty of 1.5% and a Net Profits Royalty equal to 3.5%.

Termination of the Strategic Alliance Agreement with Cameco Global

In February 2011, the Company concluded and terminated the Strategic Alliance Agreement (the “Agreement”) entered into on August 29, 2007, between the Company and Cameco Global Exploration II Ltd. (“Cameco Global”). Under the terms of the Termination Agreement, the Company paid to Cameco Global \$2,500,000. In addition, WEDC and KV Project LLC, each a direct or indirect wholly-owned subsidiary of the Company, have agreed to grant Cameco Global a production royalty equal to twenty percent (20%) of the gross revenues derived from the sale of uranium products taken from certain unpatented mining claims and other property interests owned or leased by WEDC and KV Project LLC. These properties were previously covered by the terms of the Agreement.

Sale of Kings Valley Claims to Western Lithium

In March 2011, Concordia and Western Lithium completed the purchase and sale transaction of the royalties and titles constituting substantially all (excluding Albusu claims) of the Kings Valley mineral property for \$6,850,350, paid through the issue to Concordia of 5,855,000 common shares of Western Lithium with a fair value of \$1.17 per share. As a result of the transaction, all of the claims were transferred out of WEDC to Western Lithium and the previous lease and royalty arrangements were eliminated between the two companies, including a Net Smelter Return of 1.5% and Net Profits Royalty of 3.5% on any lithium and related byproducts. Western Lithium assumed a 20% royalty to Cameco Global solely in respect of uranium and other commitments in respect to the option agreements on the property as follows:

- Mining Option Agreement with Uravada on certain mining claims for US\$50,000 annual payment in advance net smelter return royalty payments;
- Mining Option Agreement to acquire four mining claims for US\$1,785 per year in advance net smelter return royalty payments;
- 20-year renewable mining lease on two claims for US\$10,000 per year in advance net smelter return royalty payments.

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4. MINERAL PROPERTIES AND DEFERRED COSTS (continued)

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 not vote against any arm's length third party transaction proposed by Western Lithium's management.

Albisu Claims, Nevada, USA

The Albisu gold project occurs in northwestern Nevada approximately 35 kilometres west of McDermitt, Nevada. The project area is covered by 118 lode mining claims.

Treeline Claims, New Mexico, USA

In March 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).

During the year ended September 30, 2005 and 2006, the Company staked and filed a number of federal lode mining claims, with the Bureau of Land Management, on this property.

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

The Company held exploration permits in Nunavut and Northwest Territories in the Thelon Basin. During 2009 the Company discontinued its exploration permits held on the Northwest Territories portion of the Thelon Basin and wrote-off \$23,825 of deferred exploration expenditures on the Northwest Territories claims, due to problems associated with permitting exploration work in this area. In Q2 2011, the Company wrote off \$7,349,840 to \$Nil the balance of the property. The Company wrote off the Thelon Basin property considering the exploration results, the state of the uranium markets and the Company's exploration plans. As a result of the write off, the Company recorded a reduction of the future income tax liability of \$1,386,226.

Baza Property, Spain

In October 2009, the Company entered into an Option Agreement with AuEx Ventures, Inc. ("AuEx") to earn a 70% interest in the Baza property in south east Spain by paying 100% of the expenditures on the property through bankable feasibility on any given exploration permit and by paying an aggregate of US\$400,000 to AuEx of which US\$100,000 has been paid upon signing of the Option Agreement. To maintain the option US\$100,000 must be paid on the first (US\$100,000 paid), second, and third anniversaries of the Agreement to AuEx and minimum annual expenditures must be incurred at the rate of:

- EUR\$500,000 on or before the first anniversary (incurred);
- EUR\$600,000 on or before the second anniversary (incurred);
- EUR\$1,000,000 on or before the third anniversary;
- EUR\$500,000 in each subsequent year until such time as a bankable feasibility study is obtained in respect of a particular Permit;

If the Company spends at least EUR\$3,000,000 on any given Exploration Permit or Application, it is entitled to a 5% NSR which reduces to a 1% NSR after EUR\$6,000,000 in payments.

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4. MINERAL PROPERTIES AND DEFERRED COSTS (continued)

La Rioja, Argentina

In February 2010, the Company entered into an agreement with the HB Syndicate to acquire 7 exploration concessions (“cateos”) covering approximately 14,000 hectares located in the La Rioja Province of Argentina. In addition, the agreement extends to any other uranium properties identified by the HB Syndicate within Argentina over the next two years that, with Company’s agreement, merit acquisition. The terms of this acquisition are: payment of US\$100,000 (paid), 500,000 units of the Company (issued; a unit consisted of one common share and one-half warrant) and a 2% NSR, which with respect to the property, the Company will have the option to purchase any or all of the NSR at a price of US\$1,000,000 per percentage interest. The Company issued 500,000 units with an estimated fair value of \$0.88 per unit for total consideration of \$440,000.

Cerro Amarillo, Cajon Grande, Argentina

In October 2010, Meryllion Minerals Corporation (“Meryllion”), a wholly-owned subsidiary of the Company, has acquired an option to purchase the 14,000 hectare Cerro Amarillo-Cajon Grande copper-gold property 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 property.

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 as follows:

- US\$25,000 on the earlier of: the date the Company completes its due diligence of the property or the date that is 30 days from the date of execution of this agreement (paid);
- US\$25,000 within 4 months following the execution of this agreement (paid);
- US\$25,000 within 10 months following the execution of this agreement (paid in July 2011);
- US\$100,000 within 16 months following the execution of this agreement;
- US\$150,000 within 28 months following the execution of this agreement;
- US\$200,000 within 40 months following the execution of this agreement.

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 property is placed into commercial production.

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4. MINERAL PROPERTIES AND DEFERRED COSTS (continued)

Providencia, Jujuy, Argentina

In March 2011, Meryllion has acquired an option to purchase the Providencia silver-copper prospect located in the Puna of northwestern Argentina. The property comprises mineral concessions amounting to 3,000 hectares situated 4,200 meters above sea level and some 260 km by good road from San Salvador de Jujuy, the capital of the Jujuy Province. Under the option agreement, Meryllion has the right to acquire a 100% interest in the property by making an initial payment of US\$50,000 (paid) with additional escalating option payments amounting to US\$1,000,000 over the next 60 months. The exercise fee is US\$950,000 if less than 50 million ounces of silver resources have been delineated, as defined by a third-party, independent consultant, or US\$1,950,000 if more than 50 million ounces of silver resources are defined.

The property is subject to an NSR of 1.5% with Meryllion having the option to buy out the royalty. Meryllion is, in addition, committed to exploration expenditures of US\$50,000 and US\$100,000 in the first and second years respectively.

5. EQUIPMENT

	June 30, 2011			September 30, 2010		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 33,192	\$ 30,973	\$ 2,219	\$ 33,192	\$ 30,737	\$ 2,455
Office equipment	31,662	23,674	7,988	31,662	22,329	9,333
	<u>\$ 64,854</u>	<u>\$ 54,647</u>	<u>\$ 10,207</u>	<u>\$ 64,854</u>	<u>\$ 53,066</u>	<u>\$ 11,788</u>

6. SHARE CAPITAL AND CONTRIBUTED SURPLUS

	Number	Amount, \$	Contributed Surplus, \$
Authorized			
Unlimited common shares without par value			
100,000,000 preferred shares, par value \$1.00			
Issued – common shares			
As at September 30, 2009	59,371,834	72,054,723	4,929,007
Shares issued for acquisition of La Rioja property	500,000	440,000	-
Contributed surplus of Western Lithium	-	-	524,263
Stock-based compensation	-	-	305,673
As at September 30, 2010	59,871,834	72,494,723	5,758,943
Contributed surplus of Western Lithium	-	-	354,744
Stock-based compensation	-	-	1,338,767
As at June 30, 2011	59,871,834	72,494,723	7,452,454

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6. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

There were no changes in the number of shares issued and share capital during the nine months period ended June 30, 2011.

During the year ended September 30, 2010, the Company issued 500,000 units with an estimated fair value of \$0.88 per unit for total consideration of \$440,000 for the acquisition of La Rioja property in Argentina. Each unit consisted of one common share and one-half warrant. Each warrant entitles the holder to acquire one additional share of the Company at a price of \$1.00 per share for a period of two years from the closing.

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 the maximum number of shares that may be issued upon exercise of stock options granted shall not exceed 10% of the issued and outstanding common shares of the Company at the time of the grant. The exercise price of each option is based on the market price of the Company's common stock at the date of the grant less allowable discounts. The options can be granted for a maximum term of five years. The vesting terms are determined at the discretion of the Company's Board of Directors.

A summary of the Company's outstanding options at June 30, 2011, and the changes during the period is presented below:

	Nine Months Ended June 30, 2011	
	Number of Options	Weighted Average Exercise Price
Balance, outstanding - September 30, 2010	2,635,000	\$ 1.22
Granted	2,497,500	0.93
Cancelled	(312,500)	2.77
Expired	(612,500)	0.94
Balance, outstanding – June 30, 2011	4,207,500	\$ 1.01

During the period ended June 30, 2011, the Company granted a total of 2,497,500 stock options to its directors, employees and consultants. Stock-based compensation expense of \$1,338,767 was charged to operations and credited to contributed surplus to reflect the fair value of stock options granted and vested during the period ended June 30, 2011. At June 30, 2011, \$328,959 of the fair value of stock options previously granted but not yet vested remains to be expensed in fiscal 2011 and \$449,113 in 2012.

The fair value of stock options granted are 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:

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6. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

	November 8, 2010	December 22, 2010	January 24, 2011	February 18, 2011	March 8, 2011	March 31, 2011
Number of options granted	200,000	1,000,000	100,000	200,000	150,000	847,500
Exercise price per share	\$0.85	\$0.95	\$1.00	\$1.17	\$1.10	\$1.00
Risk-free interest rate	2.10%	2.42%	2.30%	2.49%	2.48%	2.44%
Expected life	5 years	5 years	5 years	5 years	5 years	5 years
Annualized volatility	105%	109%	107%	107%	107%	109%
Dividend rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Fair value per stock option granted	\$0.66	\$0.75	\$0.78	\$0.91	\$0.86	\$0.79
Total fair value of stock options granted	\$132,000	\$750,000	\$78,000	\$182,000	\$129,000	\$669,525

Stock options outstanding and exercisable as at June 30, 2011 are as follows:

	Number of Options Outstanding	Number of Options Exercisable	Exercise Price	Expiry Date
	100,000	100,000	\$ 0.94	October 17, 2011
	100,000	100,000	US\$ 1.58	January 29, 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	420,000	\$ 0.85	June 10, 2015
	200,000	100,000	\$ 0.85	November 8, 2015
	1,000,000	500,000	\$ 0.95	December 22, 2015
	100,000	25,000	\$ 1.00	January 24, 2016
	200,000	50,000	\$ 1.17	February 18, 2016
	150,000	37,500	\$ 1.10	March 8, 2016
	847,500	211,875	\$ 1.00	March 31, 2016
Total	4,207,500	2,494,375		

Warrants

At June 30, 2011, the following warrants were outstanding:

Expiry date	Number of Warrants	Weighted Average Exercise Price
February 6, 2012	250,000	\$1.00

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7. RELATED PARTY TRANSACTION

During the nine months ended June 30, 2011, the Company entered into transactions with related parties as follows:

- paid \$57,000 (2010 - \$24,000) in consulting fees to a director for management services;
- paid \$607,680 severance payment included in wages and benefits and \$87,912 in consulting fees for management services to a director and former officer of the Company.

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.

8. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Supplementary disclosure of the Company's significant non-cash transactions is provided in the table below:

	Nine Months Ended June 30, 2011 \$	Nine Months Ended June 30, 2010 \$
Accounts payable and accrued liabilities relating to mineral property expenditures	175,590	-
Shares issued by Western Lithium for the sale of Kings Valley property	6,850,350	-

9. SEGMENTED INFORMATION

The Company operates in one business segment, being the acquisition, exploration and development of mineral properties. The Company is in the exploration stage and, accordingly, has no reportable segment revenues or operating results for the nine months ended June 30, 2011.

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

	June 30, 2011				Total \$
	Canada \$	United States \$	Spain \$	Argentina \$	
Current assets	30,516,592	463,956	-	38,958	31,019,506
Equipment	-	10,207	-	-	10,207
Investment in Western Lithium	14,710,603	-	-	-	14,710,603
Mineral properties and deferred costs	-	813,401	2,120,899	963,743	3,898,043
	45,227,195	1,287,564	2,120,899	1,002,701	49,638,359

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9. SEGMENTED INFORMATION (continued)

	September 30, 2010				
	Canada \$	United States \$	Spain \$	Argentina \$	Total \$
Current assets	38,639,133	1,453,550	-	9,979	40,102,662
Equipment	-	11,788	-	-	11,788
Investment in Western Lithium	5,975,325	-	-	-	5,975,325
Mineral properties and deferred costs	7,340,993	7,626,719	1,327,781	659,327	16,954,820
	51,955,451	9,092,057	1,327,781	669,306	63,044,595

10. COMMITMENTS

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

Fiscal year 2011	\$ 17,769
Fiscal year 2012	71,876
Fiscal year 2013	73,156
Fiscal year 2014	<u>9,763</u>
Total	\$172,564

Mineral properties commitments disclosed in Note 4.

11. FINANCIAL INSTRUMENTS

Fair value

The Company estimates the fair value of its financial instruments based on current interest rates, market value and pricing of financial instruments with comparable terms. Unless otherwise indicated, the carrying value of these financial instruments approximates their fair market value because of the near maturity of those instruments.

As at June 30, 2011, the carrying amount of current financial assets and liabilities approximated the fair value because of the near maturity of those instruments.

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11. FINANCIAL INSTRUMENTS (continued)

Financial instruments measured at fair value on the balance sheet are summarized in levels of fair value hierarchy as follows:

June 30, 2011	Level 1	Level 2	Level 3
Assets			
Cash and cash equivalents	\$ 30,869,204	\$ -	\$ -

September 30, 2010	Level 1	Level 2	Level 3
Assets			
Cash and cash equivalents	\$ 40,040,206	\$ -	\$ -

Financial Instruments Risk Exposure

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 objective of the Company's risk management process is 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 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 harmonized sales tax (HST) due from the Federal Government of Canada and receivable from Western Lithium USA Corporation for shared Reno office expenses.

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 maintains sufficient reserves of cash and cash equivalents to meet its liquidity requirements in the short and long term. As the industry in which the Company operates is very capital intensive, the majority of the Company's spending is related to its capital programs. The Company prepares annual budgets, which are regularly monitored and updated as considered necessary.

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11. FINANCIAL INSTRUMENTS (continued)

As at June 30, 2011, the Company had cash and cash equivalents balance of \$30,869,204 (September 30, 2010 - \$40,040,206) to settle current liabilities of \$312,206 (September 30, 2010 - \$128,875). 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.

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, Argentinean pesos, Euros, and other currencies as follows:

	June 30, 2011					
	CDN\$	US\$	Euros	Argentinean pesos	Other	Total \$
Cash and cash equivalents	18,775,939	10,981,801	1,079,473	31,991	-	30,869,204
Receivables	13,948	15,227	-	3,503	-	32,678
Prepaid expenses and deposits	23,156	55,270	27,482	3,463	8,253	117,624
Accounts payables and accrued liabilities	(74,018)	(72,234)	(163,953)	(2,001)	-	(312,206)
	18,739,025	10,980,064	943,002	36,956	8,253	30,707,300

	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

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11. FINANCIAL INSTRUMENTS (continued)

US dollar amounts have been translated at a value of CDN\$0.9645 for US\$1.00 (September 30, 2010 - CDN\$1.029 for US\$1.00). Amounts in Euros have been translated at a value of CDN\$1.4005 for 1 Euro (September 30, 2010 – 1.4006) and amounts in Argentine Pesos have been translated at a value of CDN\$0.2249 for 1 Peso. If the US dollar appreciates by 1% in relation to the Canadian dollar, the Company's net income would increase by approximately \$113,842. If the Euro appreciates by 1% in relation to Canadian dollar, the Company's net income would increase by approximately \$6,733.

ii) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. 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 loss would increase by approximately \$30,869.

12. CAPITAL DISCLOSURE

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and development of its mineral properties and to maintain a flexible capital structure. The capital structure of the Company consists of equity attributable to common shareholders, comprised of issued capital, contributed surplus, and 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 the nine months period ended June 30, 2011.

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.

13. SUBSEQUENT EVENT

Directors of the Company were granted options to acquire 700,000 common shares of the Company at a price of \$0.66 per share, for a five year period. The granted options vest over the period of 18 months according to the Company's stock option plan.