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# **WESTERN URANIUM CORPORATION**

INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED  
DECEMBER 31, 2009

*(Expressed in Canadian Dollars)*

*(Unaudited – Prepared by Management)*

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

The accompanying unaudited consolidated interim financial statements of Western Uranium Corporation for the three months ended December 31, 2009 have been prepared by management and are the responsibility of the Company's management. These statements have not been reviewed by the Company's external auditors.

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

	<b>December 31, 2009</b>	<b>September 30, 2009</b>
<b>A S S E T S</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 43,668,578	\$ 46,358,395
Receivables	13,989	13,137
Prepaid expenses and deposits	<u>16,882</u>	<u>21,058</u>
	43,699,449	46,392,590
<b>MINERAL PROPERTIES AND DEFERRED COSTS</b> (Note 4)	22,659,286	22,016,788
<b>EQUIPMENT</b> (Note 5)	16,485	17,422
<b>INVESTMENT IN WESTERN LITHIUM</b> (Note 3)	<u>5,745,865</u>	<u>3,270,060</u>
	<b>\$ 72,121,085</b>	<b>\$ 71,696,860</b>

**LIABILITIES**

**CURRENT LIABILITIES**

Accounts payable and accrued liabilities \$ 175,747 \$ 132,090

**FUTURE INCOME TAX LIABILITY**

1,508,446 1,508,446

1,684,193 1,640,536

**SHAREHOLDERS' EQUITY**

**SHARE CAPITAL** (Note 6) 72,054,723 72,054,723

**CONTRIBUTED SURPLUS** (Note 6) 5,285,102 4,929,007

**ACCUMULATED OTHER COMPREHENSIVE INCOME** (159,931) (159,931)

**DEFICIT** (6,743,002) (6,767,475)

70,436,892 70,056,324

**\$ 72,121,085** **\$ 71,696,860**

**Nature of operations** (Note 1)

**Commitments** (Notes 4 and 10)

**Investment in Western Lithium** (Note 3)

**Subsequent event** (Note 13)

**On behalf of the Board:**

“Pamela Klessig”

Director

“John Proust”

Director

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

**WESTERN URANIUM CORPORATION**  
**INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE INCOME AND DEFICIT**  
**FOR THE THREE MONTHS ENDED DECEMBER 31**  
**(Unaudited – Prepared by Management)**  
(Expressed in Canadian Dollars)

	2009	2008
<b>EXPENSES</b>		
Amortization	\$ 938	\$ 2,185
Audit and accounting (Note 7)	30,234	51,384
Consulting fees (Note 7)	31,500	31,500
Corporate development	-	30,000
Interest and bank charges	660	453
Investor relations	14,000	18,000
Legal fees	12,435	977
Office and miscellaneous	25,035	18,811
Property investigation	1,243	-
Regulatory and filing fees	3,750	6,102
Rent	20,546	22,516
Stock-based compensation (Note 6)	46,306	62,529
Telephone	4,181	4,511
Travel	25,909	6,844
Wages and benefits	142,841	181,030
Mineral property write-off	<u>-</u>	<u>23,825</u>
<b>LOSS BEFORE OTHER ITEMS</b>	<u>(359,578)</u>	<u>(460,667)</u>
<b>OTHER ITEMS</b>		
Gain on dilution of interest in Western Lithium (Note 3)	1,080,303	-
Equity loss in Western Lithium (Note 3)	(316,474)	(95,618)
Foreign exchange gain	(405,930)	2,949,152
Interest income	<u>26,152</u>	<u>231,626</u>
	<u>384,051</u>	<u>3,085,160</u>
<b>NET INCOME AND COMPREHENSIVE INCOME</b>	<u>24,473</u>	<u>2,624,493</u>
<b>DEFICIT – BEGINNING OF PERIOD</b>	<u>(6,767,475)</u>	<u>(3,691,690)</u>
<b>DEFICIT – END OF PERIOD</b>	<u>\$ (6,743,002)</u>	<u>\$ (1,067,197)</u>
<b>BASIC AND DILUTED INCOME PER SHARE</b>	<u>\$ 0.00</u>	<u>\$ 0.04</u>
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING – BASIC AND DILUTED</b>	<u>59,371,834</u>	<u>59,371,834</u>

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

**WESTERN URANIUM CORPORATION**  
**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE THREE MONTHS ENDED DECEMBER 31**  
**(Unaudited – Prepared by Management)**  
(Expressed in Canadian Dollars)

	<b>2009</b>	<b>2008</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income for the period	\$ 24,473	\$ 2,624,493
Items not affecting cash:		
Amortization	938	2,185
Gain on dilution of interest in Western Lithium	(1,080,303)	-
Equity loss in Western Lithium	316,474	95,618
Mineral property write-off	-	23,825
Stock-based compensation	46,306	62,529
Changes in non-cash working capital items:		
Change in receivables	(852)	8,540
Decrease in prepaid expenses and deposits	4,176	4,392
Increase/(decrease) in accounts payable and accrued liabilities	<u>72,791</u>	<u>(734,843)</u>
Net cash from operating activities	<u>(615,997)</u>	<u>2,086,739</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of mineral properties and deferred costs	(671,632)	(429,993)
Investment in Western Lithium	<u>(1,402,188)</u>	<u>-</u>
Net cash used in investing activities	<u>(2,073,820)</u>	<u>(429,993)</u>
<b>CHANGE IN CASH AND CASH EQUIVALENTS DURING THE PERIOD</b>	(2,689,817)	1,656,746
<b>CASH AND CASH EQUIVALENTS – BEGINNING OF PERIOD</b>	<u>46,358,395</u>	<u>51,145,711</u>
<b>CASH AND CASH EQUIVALENTS – END OF PERIOD</b>	<u>\$ 43,668,578</u>	<u>\$ 52,802,457</u>
<b>CASH AND CASH EQUIVALENTS IS COMPRISED OF:</b>		
Cash	\$ 24,007,350	\$ 21,104,386
Term deposits	<u>19,661,228</u>	<u>31,698,071</u>
	<u>\$ 43,668,578</u>	<u>\$ 52,802,457</u>

Supplemental disclosure with respect to cash flows (Note 8).

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

**WESTERN URANIUM CORPORATION**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED DECEMBER 31, 2009**  
**(Unaudited – Prepared by Management)**  
(Expressed in Canadian Dollars)

**1. NATURE OF OPERATIONS**

Western Uranium Corporation (the “Company”) is a Canadian based resource company focused on exploration, acquisition and advancement of mineral properties in North America, Spain and Argentina (Note 4). The Company was incorporated under the provisions of the British Columbia Business Corporations Act on February 7, 2000. Western Uranium Corporation and its subsidiary companies are engaged in uranium exploration.

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 core operations for the next year.

**2. BASIS OF PRESENTATION AND CHANGES IN ACCOUNTING POLICIES**

The consolidated financial statements contained herein include the accounts of Western Uranium Corporation and its wholly-owned subsidiaries: Western Energy Development Corp. (US) and Ruby Hill Exploration Inc. (Canada).

The interim period consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles. All financial summaries included are presented on a comparative and consistent basis showing the figures for the preceding period. The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of annual financial statements. Certain information and footnote disclosure normally included in consolidated financial statements prepared in accordance with generally accepted accounting principles has been condensed or omitted. These interim period statements should be read together with the audited consolidated financial statements and the accompanying notes included in the Company's latest annual report. In the opinion of the Company, its unaudited interim consolidated financial statements contain all adjustments necessary in order to present a fair statement of the results of the interim periods presented.

These financial statements have been prepared on the basis of accounting principles applicable to a “going concern”, which assumes that the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. In the opinion of management, all adjustment considered necessary for a fair presentation have been included.

***Comparative figures***

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

**WESTERN URANIUM CORPORATION**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED DECEMBER 31, 2009**  
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**2. BASIS OF PRESENTATION AND CHANGES IN ACCOUNTING POLICIES (continued)**

*Use of Estimates and assumptions*

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 reported period. Significant areas requiring the use of management estimates include the determination of environmental obligations, the recoverability of deferred mineral property costs, and the assumption used in the determination of the fair value of stock based compensation. Actual results may differ from these estimates. By their nature, these estimates are subject to measurement uncertainty and any changes in such estimates in future periods could materially impact the financial statements.

*Issued but not Adopted Primary Sources of GAAP*

*International Financial Reporting Standards (“IFRS”)*

In 2006, the Canadian Accounting Standards Board (“AcSB”) published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada’s own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of October 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended September 30, 2011. The Company is currently engaged in the scoping phase of its conversion which involves a high level review of major differences between Canadian GAAP and IFRS, setting a timeline for resources and developing a project plan. This scoping phase is intended to provide direction to the Company’s management for the second phase of conversion project and will be disclosed in the Company’s 2010 annual financial statements and management’s discussion and analysis. The company continues to monitor and assess the impact of convergence of Canadian GAAP and IFRS.

*Business Combinations, Consolidated Financial Statements and Non-Controlling Interests*

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

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.

**WESTERN URANIUM CORPORATION**  
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**FOR THE THREE MONTHS ENDED DECEMBER 31, 2009**  
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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 (“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. The Company accounts for its investment using the equity method. Under the equity method, the Company recognized an equity loss of \$316,474 in Western Lithium for the three months ended December 31, 2009. The Company also recorded \$1,080,303 gain on dilution of interest in Western Lithium and \$309,789 of its proportionate share of Western Lithium’s contributed surplus for the same period.

As at December 31, 2009, the Company owned 19,685,393 or 24% 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.

**4. MINERAL PROPERTIES AND DEFERRED COSTS**

<b>For the three months ended December 31, 2009</b>	Thelon Basin, Canada, \$	Kings Valley, USA, \$	Treeline, USA, \$	Baza, Spain, \$	Total, \$
<b>Acquisition costs</b>					
Balance, beginning of period	1,253,203	3,802,707	365,337	-	5,421,247
Additions	<u>-</u>	<u>154,289</u>	<u>-</u>	<u>137,025</u>	<u>291,314</u>
Balance, end of period	<u>1,253,203</u>	<u>3,956,996</u>	<u>365,337</u>	<u>137,025</u>	<u>5,712,561</u>
<b>Deferred exploration costs</b>					
Drilling	-	95,759	-	-	95,759
Geological and consulting	-	52,201	-	172,411	224,612
Geophysics	-	1,002	-	-	1,002
Mapping, supplies and other	-	30,274	-	16,907	47,181
Sampling	-	7,845	-	6,233	14,078
Transportation and travel	<u>-</u>	<u>3,171</u>	<u>-</u>	<u>11,230</u>	<u>14,401</u>
Total deferred exploration costs	-	190,252	-	206,781	397,033
Balance, beginning of period	<u>6,088,599</u>	<u>10,120,477</u>	<u>386,465</u>	<u>-</u>	<u>16,595,541</u>
Balance, end of period	<u>6,088,599</u>	<u>10,310,729</u>	<u>386,465</u>	<u>206,781</u>	<u>16,992,574</u>
Option payment received	-	(79,222)	-	-	(79,222)
Foreign tax	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,373</u>	<u>33,373</u>
<b>Total mineral property costs</b>	<u>7,341,802</u>	<u>14,188,503</u>	<u>751,802</u>	<u>377,179</u>	<u>22,659,286</u>

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**FOR THE THREE MONTHS ENDED DECEMBER 31, 2009**  
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**4. MINERAL PROPERTIES AND DEFERRED COSTS (continued)**

<b>For the year ended September 30, 2009</b>	Thelon Basin, \$	Kings Valley, \$	Treeline, \$	Virgin Valley, \$	Pamlico, \$	Total, \$
<b>Acquisition costs</b>						
Balance, beginning of year	1,229,378	3,407,307	337,383	37,960	71,450	5,083,478
Additions	<u>23,825</u>	<u>454,429</u>	<u>27,954</u>	<u>-</u>	<u>-</u>	<u>506,208</u>
Balance, end of year	<u>1,253,203</u>	<u>3,861,736</u>	<u>365,337</u>	<u>37,960</u>	<u>71,450</u>	<u>5,589,686</u>
<b>Deferred exploration costs</b>						
Drilling	-	811,634	-	-	-	811,634
Geological and consulting	35,948	343,626	-	1,975	778	382,327
Geophysics	1,122	41,497	-	-	-	42,619
Mapping, supplies and other	57,547	121,453	455	-	243	179,698
Sampling	-	164,012	-	-	1,780	165,792
Transportation and travel	<u>43,065</u>	<u>31,851</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>74,916</u>
Total deferred exploration costs	137,682	1,514,073	455	1,975	2,801	1,656,986
Balance, beginning of year	<u>6,086,117</u>	<u>8,606,404</u>	<u>386,010</u>	<u>41,207</u>	<u>12,690</u>	<u>15,132,428</u>
Balance, end of year	<u>6,223,799</u>	<u>10,120,477</u>	<u>386,465</u>	<u>43,182</u>	<u>15,491</u>	<u>16,789,414</u>
Recovery of prior costs	(111,375)	-	-	-	-	(111,375)
Option payment received	-	(59,029)	-	-	-	(59,029)
Written-off during the year	<u>(23,825)</u>	<u>-</u>	<u>-</u>	<u>(81,142)</u>	<u>(86,941)</u>	<u>(191,908)</u>
<b>Total mineral property costs</b>	<u>7,341,802</u>	<u>13,923,184</u>	<u>751,802</u>	<u>-</u>	<u>-</u>	<u>22,016,788</u>

**Kings Valley Claims, Nevada, USA**

On January 21, 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 \$30,633 (US\$25,000) and can acquire Uravada’s interest by making additional payments as follows:

- US\$30,000 on or before January 21, 2006 (paid),
- US\$50,000 on or before January 21, 2007 (paid),
- US\$75,000 on or before January 21, 2008, (paid)
- US\$100,000 on or before January 21, 2009 (paid), and
- US\$125,000 on or before January 21, 2010 (paid).

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 in advance net smelter return royalty payments.

**WESTERN URANIUM CORPORATION**  
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**FOR THE THREE MONTHS ENDED DECEMBER 31, 2009**  
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**4. MINERAL PROPERTIES AND DEFERRED COSTS (continued)**

**Kings Valley Claims, Nevada, USA (continued)**

On November 15, 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 \$1,788 (US\$1,500) and can acquire the 50% interest by making additional payments as follows:

- US\$2,000 on or before November 15, 2006 (paid),
- US\$3,500 on or before November 15, 2007 (paid),
- US\$5,500 on or before November 15, 2008, (paid)
- US\$7,500 on or before November 15, 2009 (paid), and
- US\$9,000 on or before November 15, 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.

On November 15, 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, to be credited against any production royalties that may accrue and against the purchase price as follows:

- US\$10,000 on or before November 15, 2005 (paid),
- US\$5,000 on or before November 15, 2006 (paid),
- US\$5,000 on or before November 15, 2007 (paid),
- US\$5,000 on or before November 15, 2008 (paid), and
- US\$10,000 on or before November 15, 2009 (paid) and each anniversary date thereafter.

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.

***Option Agreement with Western Lithium***

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 Canada Corporation) and Western Energy Development Corp. (100% owned by Western Uranium), pursuant to which Western Uranium granted to 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.

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**4. MINERAL PROPERTIES AND DEFERRED COSTS (continued)**

In consideration for the Exploration Right, Western Lithium must pay to Western Uranium US\$25,000 (paid), US\$50,000 on the first anniversary of the effective date of the Lease Agreement (paid), US\$75,000 (US\$75,000 paid) on each of the second through fourth anniversaries of the effective date of the Lease Agreement, US\$100,000 on each of the fifth through tenth anniversaries of the effective date of the Lease Agreement, US\$150,000 on each of the eleventh through twentieth anniversaries of the effective date of the Lease Agreement and US\$200,000 on each of the twenty-first through thirtieth anniversaries of the effective date of the Lease Agreement, for total payments of US\$4,400,000. 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 Western Uranium a Net Smelter Returns Royalty of 1.5% and a Net Profits Royalty equal to 3.5%.

**Treeline Claims, New Mexico, USA**

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).

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's holds exploration permits in Nunavut in the Thelon Basin and continues to hold these claims in good standing.

**Baza Property, Spain**

During 2009 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. The Company has 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\$100,000 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:

- EUR\$500,000 on or before the first anniversary;
- EUR\$600,000 on or before the second anniversary;
- 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 WUC 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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**FOR THE THREE MONTHS ENDED DECEMBER 31, 2009**  
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**5. EQUIPMENT**

	December 31, 2009			September 30, 2009		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 33,192	\$ 28,320	\$ 4,872	\$ 33,192	\$ 28,156	\$ 5,036
Office equipment	<u>31,662</u>	<u>20,049</u>	<u>11,613</u>	<u>31,662</u>	<u>19,276</u>	<u>12,386</u>
	<u>\$ 64,854</u>	<u>\$ 48,369</u>	<u>\$ 16,485</u>	<u>\$ 64,854</u>	<u>\$ 47,432</u>	<u>\$ 17,422</u>

**6. SHARE CAPITAL AND CONTRIBUTED SURPLUS**

	Number	Amount, \$	Contributed Surplus, \$
Authorized			
Unlimited common shares without par value			
Issued			
As at September 30, 2008	59,371,834	72,054,723	4,071,628
Contributed surplus of Western Lithium	-	-	438,586
Stock-based compensation	<u>-</u>	<u>-</u>	<u>418,793</u>
As at September 30, 2009	59,371,834	72,054,723	4,929,007
Contributed surplus of Western Lithium	-	-	309,789
Stock-based compensation	<u>-</u>	<u>-</u>	<u>46,306</u>
As at December 31, 2009	<u>59,371,834</u>	<u>72,054,723</u>	<u>5,285,102</u>

There were no changes in the number of shares issued and share capital during the three months ended December 31, 2009.

**Stock options**

The Company has a stock option plan in accordance with the policies on the TSX Venture Exchange whereby, from time to time at the discretion of the board of directors, stock options are granted to directors, officers and certain consultants. Under the plan up to 5,937,183 common shares are reserved for the issuance of stock options, being 10% of the issued and outstanding share capital at any given time. 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 an applicable discount. The options can be granted for a maximum term of 10 years. The vesting terms are determined at the discretion of the Company's Board of Directors.

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**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED DECEMBER 31, 2009**  
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(Expressed in Canadian Dollars)

**6. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)**

Stock-based compensation expense of \$46,306 was charged to operations and credited to contributed surplus to reflect the fair value of stock options previously granted and vested during the three months ended December 31, 2009. At December 31, 2009 \$50,912 of the fair value of stock options previously granted but not yet vested remains to be expensed in fiscal 2010 and \$1,070 in 2011.

A summary of the Company's outstanding options at December 31, 2009, and the changes during the period is presented below:

	Three Months Ended December 31, 2009	
	Number of Options	Weighted Average Exercise Price
Balance, beginning of period	3,780,000	\$ 1.17
Granted	-	-
Exercised	-	-
Expired or cancelled	-	-
Balance, end of period	3,780,000	\$ 1.17

As at December 31, 2009, the following incentive stock options are outstanding and exercisable:

	Number of Options Outstanding	Number of Options Exercisable	Exercise Price	Expiry Date
	2,130,000	2,130,000	\$ 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
	425,000	425,000	\$ 1.49	December 6, 2012
	500,000	250,000	\$ 0.83	January 21, 2014
	100,000	50,000	\$ 0.90	May 6, 2014
Total	3,780,000	3,480,000		

**Warrants**

There are no common shares reserved pursuant to warrants and agent warrants outstanding at December 31, 2009.

**WESTERN URANIUM CORPORATION**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED DECEMBER 31, 2009**  
**(Unaudited – Prepared by Management)**  
(Expressed in Canadian Dollars)

**7. RELATED PARTY TRANSACTIONS**

During the three months ended December 31, 2009, the Company entered into transactions with related parties as follows:

- a) paid \$12,000 (2008 - \$12,000) in consulting fees, \$7,500 (2008 - \$7,500) in administration fees and \$14,010 (2008 - \$14,010) in accounting fees to a company controlled by a director of the Company;
- b) paid \$12,000 (2008 - \$12,000) in consulting fees to Director 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**

The Company had the following significant non-cash transactions:

- a) recorded, using the Black-Scholes Pricing Model, stock-based compensation with a fair value of \$46,306 (2008 – \$62,529) for stock options vested during the three months ended December 31;
- b) included \$101,657 (September 30, 2009 - \$72,523) of accounts payable relating to the property expenditures in investing activities;
- c) recorded in contributed surplus \$309,789 of the Company’s proportionate share of Western Lithium’s contributed surplus;
- d) paid \$Nil (2008 - \$Nil) in interest and \$Nil (2008 - \$Nil) in taxes.

**9. SEGMENTED INFORMATION**

The Company operates in one business segment, being the acquisition and exploration of mineral properties. The Company is in the exploration stage and, accordingly, has no reportable segment revenues or operating results for the three months ended December 31, 2009.

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

	December 31, 2009			
	Canada \$	United States \$	Spain \$	Total \$
Current assets	41,991,737	1,707,712	-	43,699,449
Equipment	-	16,485	-	16,485
Investment in Western Lithium	5,745,865	-	-	5,745,865
Mineral properties and deferred costs	7,341,802	14,940,305	377,179	22,659,286
	55,079,404	16,664,502	377,179	72,121,085

**WESTERN URANIUM CORPORATION**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED DECEMBER 31, 2009**  
**(Unaudited – Prepared by Management)**  
(Expressed in Canadian Dollars)

**9. SEGMENTED INFORMATION** (continued)

	September 30, 2009		
	Canada	United States	Total
	\$	\$	\$
Current assets	44,025,898	2,366,692	46,392,590
Equipment	-	17,422	17,422
Investment in Western Lithium	3,270,060	-	3,270,060
Mineral properties and deferred costs	7,341,802	14,674,986	22,016,788
	<u>54,637,760</u>	<u>17,059,100</u>	<u>71,696,860</u>

**10. COMMITMENTS**

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

2010	\$60,784
2011	<u>\$6,485</u>
	\$67,269

b) Mineral properties (Note 4).

**11. FINANCIAL INSTRUMENTS**

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

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

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

**WESTERN URANIUM CORPORATION**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED DECEMBER 31, 2009**  
**(Unaudited – Prepared by Management)**  
(Expressed in Canadian Dollars)

**11. FINANCIAL INSTRUMENTS (continued)**

*Financial Instruments Risk Exposure*

*Credit risk*

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

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

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

*Liquidity Risk*

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

As at December 31, 2009, the Company had cash and cash equivalents balance of \$43,668,578 to settle current liabilities of \$175,747. 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 the concentration risk by placing most of its cash balance with major Canadian financial institutions.

**WESTERN URANIUM CORPORATION**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED DECEMBER 31, 2009**  
**(Unaudited – Prepared by Management)**  
(Expressed in Canadian Dollars)

**11. FINANCIAL INSTRUMENTS** (continued)

*Market risk*

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

i) Foreign currency risk

As at December 31, 2009 the Company holds its cash and cash equivalents in three currencies: EUR\$981,319, US\$15,848,134 and CDN\$25,540,210. The Company's income is exposed to foreign exchange fluctuations in Euro and US\$ currencies.

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 1%, the Company's net income would have decreased by approximately \$436,686.

**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, 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.

**WESTERN URANIUM CORPORATION**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED DECEMBER 31, 2009**  
**(Unaudited – Prepared by Management)**  
(Expressed in Canadian Dollars)

**12. CAPITAL DISCLOSURE** (continued)

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.

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**

Subsequent to December 31, 2009, the Company has entered into an agreement with the HB Syndicate to acquire 7 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 USD100,000 (paid), 500,000 units of the Company (issued) (a unit considering of one common share and one-half warrant) and a 2% NSR, which with respect to the property WUC will have the option to purchase any or all of the NSR at a price of USD1,000,000 per percentage interest.