WESTERN LITHIUM USA CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Background

The following discussion and analysis of financial position and results of operations, prepared as of December 22, 2011, should be read in conjunction with the Company's audited consolidated financial statements for the years ended September 30, 2011 and 2010, and related notes attached thereto. The financial statements are prepared in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). All amounts are stated in Canadian dollars, unless otherwise stated.

Company Overview

Western Lithium USA Corporation ("Western Lithium" or "WLC" or the "Company") is a Canadian-based resource company focused on the development of a large lithium resource located in northwestern Nevada. The Company was incorporated on November 27, 2007, as a subsidiary of Concordia Resource Corp ("Concordia", formerly Western Uranium Corporation).

Following the completion of the Plan of Arrangement between the two companies on July 16, 2008, Western Lithium ceased to be wholly-owned by Concordia and became an independent publicly traded company. On May 31, 2010, the Company changed its name to Western Lithium USA Corporation. The Company trades on the Toronto Stock Exchange under the symbol WLC and in the US on OTCQX under symbol WLCDF. The Company operates in the United States through its wholly owned subsidiary, Western Lithium Corporation.

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

Update on 2010-2011 Engineering Development and Achievements

After the issuance of the Preliminary Assessment and Economic Evaluation ("PAEE") by URS Corporation ("URS") in February 2010, WLC initiated a comprehensive technical program aimed at reducing the cash cost of production, and at the same time improve the accuracy and reliability of the process design to the level of a pre-feasibility study or better. Several international R&D and engineering firms have been engaged to carry out this optimization work that includes the verification and selection of major equipment and improvements in extraction/separation technology. The results of these studies combined with plans to improve ore grades by selective mining techniques formed the basis of the Pre-feasibility Study ("PFS").

Pre-feasibility Study

On December 14, 2011, the Company announced the completion of a positive PFS. Two scenarios were evaluated. A startup scenario based on mining and processing ore at a design throughput rate of 2,100 tonnes per day (13,000 tonnes per annum lithium carbonate), and a full production scenario to double production four years after startup (26,000 tonnes per annum lithium carbonate). The study demonstrates that the project could produce lithium carbonate at an estimated average cash cost, net of by-product credits, of $968 per tonne once full production of 26,000 tonnes per year lithium carbonate is achieved. Initial startup capital, including contingency is expected to be approximately $248 million. Incremental development capital to double lithium carbonate production to 26,000 tonnes per year is estimated at approximately $161 million. Sustaining capital of $40 million including contingency, is primarily composed of surface mine equipment, expansions of dry stack tailings and surface water management, and mine closure.

The study was undertaken by a collaboration of independent industry specialist firms including Tetra Tech, Inc. (Tt), Reserva International, LLC and K-UTEC AG Salt Technologies (K-UTEC). The study has been prepared in accordance with Canadian securities National Instrument 43-101 and Form 43-101F1 regulatory requirements. All amounts in the study are stated in US dollars, unless otherwise indicated.

Project highlights for nominal production of 26,000 tonnes per year lithium carbonate:

- Pre-tax Net Present Value (NPV) of $552 million with an Internal Rate of Return (IRR) of 24% at an 8% discount rate;
- Operating cash costs, net of by-product credits, of $968 per tonne of lithium carbonate;
- Cash operating costs distributed between the individual products are: lithium carbonate $3,011 per tonne, potassium sulfate $87 per tonne, sodium sulfate $36 per tonne;
- Total cash operating costs per tonne (excluding credits) for lithium carbonate are $3,472 per tonne lithium carbonate;
- Once full lithium carbonate production of 26,000 tonnes per year is achieved, average annual cash flow is projected to be $124 million per year;
- Nominal production of by-product potassium sulfate and sodium sulfate of 90,000 and 100,000 tonnes per year, respectively;
- 20 year mine life, processing 25.5 million tonnes of ore at an average grade of 0.40% lithium using a 0.320% cut-off grade;
- Initial annual production of 13,000 tonnes lithium carbonate, increasing to 26,000 tonnes in year four;
- Nevada supports a large diversified mining industry;
- The project benefits from established infrastructure including road access, power supply and a local water source;
- Based on commodity prices of $6,000 per tonne lithium carbonate, $600 per tonne potassium sulfate, and $75 per tonne sodium sulfate;
- Overall recoveries are expected to be 87.2% for lithium, 77.7% for potassium and 82.7% for sodium

Under the startup scenario, lithium carbonate production is expected to commence in 2015 at an annual rate of 13,000 tonnes per year. Full production of 26,000 tonnes per year is planned four years after initial startup, if demand for lithium increases.

Lithium ore and waste rock will be extracted via an open-pit mine operation using end-dump haul trucks, hydraulic shovels, and a Wirtgen surface miner. Waste rock will be mined with a shovel/truck combination, while ore will be mined with the Wirtgen unit and direct loaded into haul trucks.

Mineral Reserves Kings Valley Ore Reserves at 0.320% Lithium Cut-off				
Category	Tonnes (millions)	Lithium (%)	Potassium (%)	Sodium (%)
Proven	14.937	0.400	3.850	1.370
Probable	12.198	0.388	3.930	1.360
Total	27.135	0.395	3.880	1.360

Note: 95% Mine Recovery Factor Applied. Please see the Company's additional disclosure of risks and uncertainties surrounding potassium and sodium.

The reserve estimate takes into consideration all geologic, mining, processing, and economic factors, and is stated in accordance with Canadian securities NI 43-101 and Form 43-101F1.

Mineral Resources

The following resource estimate for the Stage I Lens (PCD Lens) is effective as of June 28, 2011.

MEASURED

Cutoff Li PPM	MTonnes	Li%	Ktonnes LCE	Li2O%	K%	Ktonnes, K
2000	50.75	0.312	843	0.67	3.27	1,660
2500	38.86	0.338	699	0.73	3.42	1,329
3000	24.77	0.374	493	0.81	3.71	919
3500	13.10	0.420	293	0.90	4.00	524
4000	7.23	0.457	176	0.98	4.14	299
4500	3.48	0.494	91	1.06	4.26	148
5000	1.37	0.529	39	1.14	4.44	61

INDICATED

Cutoff Li PPM	MTonnes	Li%	Ktonnes LCE	Li2O%	K%	Ktonnes K
2000	164.05	0.285	2,489	0.61	3.07	5,036
2500	107.45	0.317	1,813	0.68	3.27	3,514
3000	58.60	0.352	1,098	0.76	3.51	2,057
3500	24.18	0.395	508	0.85	3.73	902
4000	8.80	0.435	204	0.94	3.94	347
4500	2.17	0.480	55	1.03	4.06	88
5000	0.478	0.517	13	1.11	4.04	19

INFERRED

Cutoff Li PPM	MTonnes	Li%	Ktonnes LCE	Li2O%	K%	Ktonnes K
2000	124.89	0.294	1,954	0.63	3.04	3,792
2500	89.29	0.321	1,526	0.69	3.24	2,889
3000	57.35	0.348	1,062	0.75	3.43	1,969
3500	24.23	0.386	498	0.83	3.74	907
4000	7.46	0.416	165	0.90	3.64	272
4500	0.18	0.470	5	1.01	3.22	6
5000	0.019	0.524	1	1.13	3.51	1

* *Measured tonnes minimum three drill holes within 75x100m with at least 5 composites used in the estimation; Indicated tonnes minimum 2 drill holes within 150x200m with at least 4 composites used in the estimation; Inferred tonnes one drill hole within 225x300m with at least 3 composites used in the estimation.*

Rounding errors may occur.
Contained metal does not allow for mine and metallurgical recovery.
1.79 tonnes/m^3 tonnage factor used.
Conversion factor for LCE = 5.323
Conversion factor for Li2O = 2.153
Reasonable prospects of economic extraction by open pit mining established using: $3.00 lithium carbonate/lb, 92% metallurgical recovery, $69/tonne processing, $2.35 USD/tonne mining.
Resources that are not reserves do not have demonstrated economic viability.

Mineral Processing

The extraction of lithium from clay has been developed as primarily a six-step process comprised of the following:

1) Selective, shallow, open-pit mining of lithium bearing clays;
2) Sizing and agglomeration of lithium clay with gypsum and limestone to form pellets;
3) Thermal treatment of pellets to transform the alkali metals into a calcine of easily soluble salts;
4) The calcine is treated with water on a continuous basis to make a lithium sulfate brine, including by-product sodium and potassium sulfates;
5) The brine is treated in mechanical evaporator units where fractional crystallization recovers by-product potassium sulfate fertilizer and sodium sulfate;
6) Separation of lithium from the brine is achieved with conventional techniques by the addition of soda ash.

Calcination Performance

Three companies were selected to carry out performance and engineering tasks in this area:

1) Hazen Research Inc. to complete repetitive dynamic testing and simulate the overall lithium process with a continuous operation;

2) Outotec to evaluate fluid bed calcination technology;

3) Kappes, Cassiday & Associates to operate a continuous plant aimed at producing a concentrated purified leached brine.

Calcine Achievements Summary:

- Lithium recoveries of 87-90% and Potassium of 77-80% were confirmed as suitable for process design;

- Reduction of reaction time from 60 to 15 minutes to reduce costs;

- Optimum calciner reagent consumption was confirmed at approximately 0.3:1 (to ore ratio).

Crystallization of Salts

Two specialized institutions have been engaged to develop specific salt crystallization for the project:

1) University of Antofagasta R&D for the development of phase diagrams and basic conditions;

2) K-Utec Salt Technologies of Germany for the detailed development of engineering data to be used for plant design.

The work conducted by the above in the areas of lithium solubility and separation of glaserite from our lithium brines has resulted into a verified process where lithium can be separated effectively and potassium sulfate obtained after a series of crystallizations steps.

The work conducted has confirmed the feasibility of recovering by-product potassium sulfate fertilizer grade from Kings Valley lithium brines.

Production of Lithium Carbonate

Our 2010-11 program has generated several kilograms of high purity lithium carbonate ranging 99.5% to 99.9%, confirming our process capability to generate lithium carbonate (Li_2CO_3) that is expected to meet battery requirements.

Engineering Basis/Design

Various engineering companies such as Larox, Inc and Outotec have been engaged to test and verify equipment performance and selection for the materials and generate data used in the PFS. In addition the selection of alternative fuels (such as coal) for calcination was investigated to achieve a significant reduction in energy costs.

Water Rights

The Company acquired a farm and accompanying water rights in the same basin as the proposed mining operation. The water rights acquired are considered sufficient for the first stage of development.

An extensive surface and groundwater characterization study and drilling on the project site is on-going to identify water resources at the project site.

Demonstration Plant

It is envisioned that after completion of the PFS, the Company will design and construct a large demonstration facility to produce approximately two tonnes of LCE. Alternative locations for the demonstration plant are being considered in Europe and North America. In August 2011, the Company completed a 100 tonne bulk sampling program to support feed stock for the envisioned pilot plant, in addition to the 300-400 tonnes already available from prior sampling.

Commercial Clay Strategy

The Company continues to pursue a commercial clay strategy as considered in the PAEE. Both gel and higher value organoclay drilling fluid markets are being studied for the applicability to use Western Lithium's hectorite clay.

The Company has achieved initial positive test results that exceed American Petroleum Institute ("API") standards for viscosity and fluid loss, that makes lithium clay potentially suitable for the gel drilling fluid markets.

Further studies are underway to test the clay for use as a higher value organoclay. In addition, a potential resource to support a commercial clay strategy is being delineated based on existing and new drill hole information.

Significant Events

- On December 14, 2011, the Company announced the completion of a positive PFS.
- In October 2011, the Company announced that it has signed an agreement with the U.S. Department of Energy's Argonne National Laboratory as a step toward the commercialization of lithium carbonate from the Company's Kings Valley Lithium Project. Under the agreement, Argonne will analyze and develop the Company's lithium carbonate products for battery applications.

As part of the work agreement, conventional electrode materials will be synthesized with lithium carbonate extracted from Western Lithium's lithium clay deposits at Kings Valley and electrochemically tested against current industry baseline specifications. Additionally, new composites based on improved materials may be tested as part of the work agreement to investigate new chemistries and formulations for enhanced performance. Argonne will work with Western Lithium to optimize and improve lithium carbonate production and quality to target areas of potential competitive advantage.

- In July 2011, the Company announced that the 2010 and 2011 drill program has resulted in an increase to the project's resource size. The resource for Stage I is now defined by approximately 200 drill holes that have all intersected lithium bearing clays. It is expected that the new resource will provide for increased feedstock grade to the proposed lithium carbonate process plant. In addition, the Company is advancing permitting activities for the Kings Valley Project. The necessary permits were received to bulk sample 100 tonnes of clay which will be used to feed a demonstration plant planned for later this year. The drilling program completed earlier this year indicates sufficient lithium resources to potentially increase the mining grade from that used in the 2010 Preliminary Assessment and Economic Evaluation, which demonstrated strong economics. At an expected average cut-off grade of 0.35% lithium, the upgraded measured and indicated resource for Stage I now totals 37.3 million tonnes with an average grade of 0.40% lithium.

  The PFS is an update and improvement to the PAEE. The current study considers less than 8% of the historical resource, making the project highly scalable and establishes it as a potential major world hub for lithium production. The PFS incorporated an additional approximately 120 new drill holes from the 2010 and 2011 infill drilling program.

  A demonstration plant is planned to be constructed in 2012. The Company conducted a bulk sampling of approximately 100 tonnes of lithium ore in August at the Kings Valley site. Alternatives are being considered for the size and location of the demonstration plant.

- In June 2011, the Company hired an Environmental Director, Catherine Clark. Ms. Clark has three years of experience in government, and over twenty-one years as an environmental consultant. She has an M.S. Degree in Environmental Resource Management and has been involved in all facets of mine development. The technical team is continuing baseline environmental studies, including wildlife, vegetation, ground water and air quality.

- In March 2011, the Company completed acquisition from Concordia of the royalties and titles constituting substantially all of the Kings Valley mineral property, paid through the issue to Concordia of 5,855,000 WLC common shares. As a result of this transaction, the existing lease and royalty arrangements between the two companies on the Kings Valley property, including a Net Smelter Return of 1.5% and Net Profits Royalty of 3.5% on any lithium project that the Company developed, were eliminated. The Company gained full control of the Kings Valley property claims, excluding the Albisu gold exploration target and a 20% royalty granted by Western Energy Development Corporation ("WEDC", 100% owned subsidiary of Concordia) to Cameco Global Exploration II Ltd. ("Cameco") solely in respect of uranium. The agreement also eliminated the need for continuing future lease payments by the Company to Concordia of approximately US$4 million.

- On February 2, 2011, the Company's common shares commenced trading on the Toronto Stock Exchange. The Company's trading symbol WLC remained unchanged. On February 3, 2011, the Company's common shares commenced trading on the OTCQX, the premium tier of the U.S. Over-the-Counter (OTC) marketplace, under the ticker symbol WLCDF.

- In January 2011, the Company engaged Tetra Tech, Inc. to complete a pre-feasibility study on its Kings Valley project.

- In December 2010, the Company announced that a series of analytical assay results by two independent laboratories indicate that high quality lithium carbonate was produced during lithium carbonate pilot studies performed in Denver, Colorado. Two independent laboratories in the U.S. and Canada reported results of lithium carbonate analyses of up to 99.5% lithium carbonate purity, and in some cases high purity of 99.9% based on the precision of the analytical methods employed. Western Lithium's processing method achieves 99.5% purity, but still shows elevated parts per million levels of sodium and potassium sulfate. However, following the standard processing, the pilot tests included a simple carbon dioxide treatment, which resulted in the lithium carbonate product upgrading to high purity product that is expected to meet industry battery requirements.

- In November 2010, the Company announced an interim update to its Stage I drilling campaign, indicating strong geological continuity for the lithium resources at higher cut-off lithium grades.

Industry

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

Current Market Status

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

Company Outlook

Following the positive results of the PFS, Western Lithium has commenced further engineering and pilot plant studies to advance the project to feasibility. The Company is in discussions with various major lithium buyers to define product quality specifications and long-term supply requirements and expects to work with these groups through a planned piloting program.

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

Kings Valley Property Location

The Kings Valley property is located approximately 86 kilometres north-northwest of Winnemucca, Nevada, along paved state highway 293 which is approximately 28 kilometres west-northwest of Orovada, Nevada. There is railroad access located in Winnemucca.

The project has the advantage of leveraging off an active mining industry in the Winnemucca area, with developed infrastructure and an experienced work force. Adequate electrical power is available and currently there is a 115 kVA power line that passes through the property. Water rights have been acquired and will be sourced from the adjacent Quinn River Valley which is in the same watershed basin as the project site. A major natural gas pipeline is located approximately 32 km south of the project site.

Historical Resource Estimate

The Company's NI 43-101 compliant resource estimates cover part of the mineralization that constitutes a historical estimate of 11 million tonnes of lithium carbonate equivalent (LCE) prepared by Chevron Resources. It represents one of the largest known lithium deposits in the world, ranking in size behind deposits in Bolivia (47 million tonnes LCE), Chile (37 million tonnes LCE), North Carolina (14 million tonnes LCE) and the DRC (12 million tonnes LCE) (Source: R. Keith Evans, 2010; Roskill Information Services Ltd., 2009; and company disclosures).

The Chevron estimate is at average grades of 0.31% to 0.37% Li and is dated March 1985, but there is insufficient information regarding the data used in the estimate to make a useful comparison to current resource categories under CIM Definition Standards of Mineral Resources and Mineral Reserves. A qualified person has not done sufficient work to classify the historical estimate as current mineral resources under National Instrument 43-101, the Company is not treating the historical estimate as current mineral resources and the historical estimate should not be relied upon.

Stage II (South) Lens Development

In May 2010 the Company announced that a new NI 43-101 resource estimate has been completed for a potential Stage II (South) lens development at the Kings Valley Lithium Project in Nevada. The deposit covered by this resource estimate is located on a portion of the Stage II (South) lens of the Kings Valley property. The resource estimate consists of Indicated Resources of 95 million tonnes grading 0.27% lithium, or the lithium carbonate equivalent ("LCE") of 1,365,000 tonnes LCE and Inferred Resources of 47 million tonnes grading 0.26% lithium, for an equivalent of 650,000 tonnes of LCE, both at a cut-off grade of 0.20% lithium. The Stage II (South) lens independent estimate was prepared by GeoSystems International, Inc. ("GSI"). Mineral resources that are not mineral reserves do not have demonstrated economic viability.

This resource estimate is restricted to a portion of the Stage II (South) lens which has had sufficient drilling to produce a NI 43-101 compliant resource estimate. The Stage II (South) lens is located approximately 10 kilometers North-Northwest of the Stage I (PCD) lens. The modeled area, which encompasses the northern portion of the Stage II (South) lens, is about 2 kilometers long on an east-west axis and 1.5 kilometers along the north-south axis. The mineralization is continuous over significant areas and is near surface with an estimated three to seven meters of alluvium covering much of the Stage II (South) lens. The resource estimate is effective as of May 15, 2010.

Kings Valley Indicated and Inferred Mineral Resources – Stage II (South) Lens

Kings Valley Stage II (South) Lens Indicated Mineral Resources, 0.20% Lithium Cut-off*				
Cutoff Li %	**MTonnes**	**Li %**	**K %**	**Contained LCE, thousand tonnes**
0.15	127	0.25	3.88	1,690
0.20	95	0.27	3.66	1,365
0.25	50	0.31	3.15	825
0.30	27	0.34	2.88	489

Kings Valley Stage II (South) Lens Inferred Mineral Resources				
0.15	74	0.23	3.97	906
0.20	47	0.26	3.83	650
0.25	20	0.30	3.31	319
0.30	9	0.34	3.02	163

* Inferred tonnes within 213 meters of nearest drill hole with at least 3 composites used in the estimation; indicated tonnes two drill holes within 143 meters with at least 6 composites used in the estimation.
Contained metal does not allow for mine and metallurgical recovery.
1.96 tonnes/m3 tonnage factor used.
Economic assumptions for cut-off grade: $3.50 lithium carbonate /lb, 60% metallurgical recovery, $50/tonne processing, $2.20 USD/tonne mining. Economic assumptions do not include any potassium credits.
Rounding errors may exist.

GSI also calculated resources for fluorine and sodium that are incidental to the lithium resource estimate contained within the relevant lithium cut-off grades.

Conversion Factors Used for Lithium Compounds

To convert from Lithium (Li):	To Lithium Carbonate (Li_2CO_3) multiply by 5.323	To Lithium Oxide (Li_2O) multiply by 2.153	To Lithium Hydroxide Monohydrate ($LiOH.H_2O$) multiply by 6.04

Environmental Considerations and Community Involvement

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

No environmental liabilities are known to exist at the Kings Valley project site. During the permitting process, including agency review and public notice, the nearby communities are involved as project information is developed and potential environmental impacts are identified.

The following financial information is presented in thousands of Canadian dollars and shares in thousands, unless otherwise stated and except per share amounts.

Purchase of Lease and Royalties from WEDC

In March 2011, Western Lithium and Concordia completed the purchase and sale transaction of the royalties and titles constituting substantially all of the Kings Valley mineral property for $6,850, paid through the issue to Concordia of 5,855 common shares with a fair value of $1.17 per share. As a result of the transaction, all of the lithium properties 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 Exploration II Ltd. solely in respect of uranium on Kings Valley Property and other commitments in respect to some claims as follows:

- Mining Option Agreement with Uravada Inc. ("Uravada") on certain mining claims for US$50 annual payment due on January 21st in advance net smelter return royalty payments. The Company's interest in these claims is subject to 3% net smelter return royalty. There is a two mile area of influence around the Uravada claims lease which extends into a portion of the South Pod (Stage II) and the South Central Pod (Stage III) of the Company's Kings Valley project;

- Mining Option Agreement to acquire four mining claims for US$2 (US$2 paid in November 2011) per year in advance net smelter return royalty payments due on November 15th. The Company's interest in these claims is subject to 1.5% net smelter return royalty;

- 20-year renewable mining lease on two claims for US$10 (US$10 paid in November 2011) per year in advance net smelter return royalty payments due on November 15th. The Company's interest in these claims is subject to 2% net smelter return royalty or US$10 a year, whichever is greater. The advance minimum royalty payments shall be paid in two installments each year, half on the November 15th anniversary date and half six months later. The Company has an option to purchase the claims for US$100, less any amounts previously paid (US$55 paid to date) as advance royalty payments, in which case no further royalties are payable.

As part of the transaction, Concordia has agreed to dispose, in due course, of its common shares in the capital of the Company 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 Company's board of directors and to vote in favor of any arm's length third party change of control transaction proposed by the Company's management.

Selected Annual Financial Information

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

	Year ended September 30,		
	2011 $	2010 $	2009 $
Total assets	37,612	25,729	12,093
Mineral properties and deferred costs	25,871	10,791	5,382
Total current liabilities	(685)	(587)	(764)
Expenses	(5,854)	(5,169)	(3,648)
Net loss and comprehensive loss	(5,573)	(5,248)	(3,422)
Basic and diluted loss per share	(0.06)	(0.06)	(0.06)
Cash dividends	-	-	-

Total assets increased by $11,883 during 2011 primarily due to the $8,355 net proceeds from the issuance of common shares and capitalized expenditures of $6,850 paid in shares for the acquisition of the Kings Valley property from Concordia, offset with expenses incurred during the year. Total assets increased by $13,636 during 2010 due to the $16,802 net proceeds from the issuance of common shares offset with expenses and a decrease in accounts payable.

Mineral properties and deferred costs were incurred on the exploration and development of the Company's Kings Valley property. The significant 2011 expenditures included the purchase of a farm and accompanying water rights; annual lease payments to Nevada's Bureau of Land Management ("BLM"); acquisition of the leases and royalties from Concordia, and drilling, various engineering, process studies and consulting fees on the PFS. The 2010 mineral properties and deferred costs included lease payments to BLM, drilling, engineering, process studies and consulting fees on the PAEE.

Current liabilities consist of accounts payable and accrued liabilities, which fluctuate with the level and timing of exploration and development expenditures on the Kings Valley property.

Expenses increased in 2011 by $685 due to the increase in the Company's activities, Toronto Stock Exchange (TSX) listing, hiring of additional staff, payment of directors fees, and legal and consulting work related to the acquisition of the Kings Valley property from Concordia. The increase in these expense items was offset by a decrease in travel and conferences in Europe and Asia, a decrease in rent due to sharing of an office with Concordia and lower public relations fees due to the reduced scope. Expenses for 2010 increased by $1,521 compared to 2009 due to an increase of $685 in non-cash stock-based compensation expense and an increase in other expense categories.

Net loss and comprehensive loss for 2011 increased by $325 compared to 2010. This is due to a $685 increase in expenses offset with a $317 increase in foreign exchange gain on the Canadian/US dollar exchange fluctuations and a $43 increase in interest earned on the Company's cash and cash equivalents. Net loss and comprehensive loss for 2010 increased by $1,826. For 2010 there was a $685 increase in the stock-based compensation; $835 increase in the corporate activities; $340 increase in foreign exchange loss on the US$ cash held by the Company offset with an increase in the interest income.

Summary of Financial Results

For the year ended September 30, 2011, the Company reported a net loss and comprehensive loss of $5,573 (2010 - $5,248).

Significant expenditures and fluctuations were incurred in the following categories for the year ended September 30, 2011:

Stock-based compensation of $2,153 (2010 - $2,284) is a non-cash expense and represents the estimated fair value of stock options vested during the year. Stock-based compensation expense is accounted for at fair value as determined by the Black-Scholes Option Pricing Model with assumptions as described in the Note 4 of the financial statements. Stock-based compensation expense varies from year to year based on the number and valuation of the stock options granted during the year, vesting provisions and amortization schedule of the previously granted stock options.

Professional fees consist of legal fees of $247 (2010 – $195), consulting fees of $293 (2010 - $254), public relations fees of $136 (2010 – $200), and accounting fees of $74 (2010 - $114). The increase in legal fees was due to the purchase of the Kings Valley property royalties and claims from Concordia; the Company's listing on the TSX and an increase in corporate activities. The increase in consulting fees was due to the services received in connection with the TSX regulatory compliance; acquisition of the Kings Valley property from Concordia and financial, investor relations and marketing costs. Public relations fees were lower due to the reduced scope in the first half of 2011.

Regulatory and filing fees of $285 (2010 - $64) were higher due to the TSX listing fees.

Salaries and benefits expense of $1,541 (2010 - $795) was higher mainly due to the hiring of additional employees, increases in salaries and employee bonuses paid at the end of calendar 2010.

Foreign exchange gain/(loss) of $177 (2010 - ($140)) was incurred due to the Canadian/US dollar exchange fluctuations.

Interest income of $104 (2010 - $61) was higher mostly due to higher average short-term investment balances and interest rates in the current year.

The Company capitalized $15,080 (2010 - $5,409) on the Kings Valley property. Included in 2011 capitalized expenditures is $6,850 paid in shares for the acquisition of Kings Valley property royalties and property claims from Concordia.

There were no mineral properties and deferred costs written off during 2011 and 2010.

Summary of Selected Quarterly Results and Fourth Quarter

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

	2011				2010			
	Q4 $	Q3 $	Q2 $	Q1 $	Q4 $	Q3 $	Q2 $	Q1 $
Total assets	37,612	37,888	32,799	25,078	25,729	26,511	26,809	27,503
Mineral properties and deferred costs	25,871	24,184	22,279	13,349	10,791	8,683	7,655	6,454
Working capital	11,056	13,322	10,210	11,055	14,351	17,371	18,668	20,561
Expenses	(1,317)	(1,399)	(1,902)	(1,236)	(1,249)	(1,157)	(1,446)	(1,318)
Net loss and comprehensive loss	(1,040)	(1,346)	(1,895)	(1,292)	(1,416)	(842)	(1,674)	(1,316)
Basic and diluted loss per common share	(0.01)	(0.01)	(0.02)	(0.02)	(0.02)	(0.01)	(0.02)	(0.02)

The increase in total assets in Q2 2011 was due to the $6,850 non-cash consideration paid to Concordia in shares for the acquisition of the Kings Valley property and $2,285 cash received from the exercise of warrants and stock options. The increase in Q3 2011 total assets was due to $5,816 cash received from the exercise of warrants and stock options. The decrease in total assets during Q4 2011 was due to the expenses of $880 (excluding non-cash stock-based compensation) offset by $303 increase in accounts payable and accrued liabilities and foreign exchange gain of $273.

The increases in mineral properties and deferred costs during the quarters are due to the on-going exploration and acquisition costs for the Company's Kings Valley property.

Working capital fluctuations are due to the timing of the proceeds received from financing activities and the expenditures incurred during the periods. The decrease in Q4 2011 working capital is primarily due to the exploration expenditures of $1,486 and expenses of $880, offset by an increase in accounts payable and accrued liabilities of $303 and a foreign exchange gain of $273.

Fluctuations in expenses incurred are primarily due to the timing of the Company's activities, including moving to a new office, hiring of additional employees, legal and consulting fees and changes in stock-based compensation expense. The decrease in expenses during Q4 2011 was mainly due to a decrease in the stock-based compensation expense of $110, a decrease in travel costs of $56 and lower regulatory and filing fees. These decreases in Q4 2011 expenses were offset by an increase in office expense of $27 due to the office renovation, an increase of $75 in legal fees, and increase of $18 in public relations fees.

Fluctuations in net loss and comprehensive loss are primarily due to the changes in the expense categories, foreign exchange gains/(losses) and interest income.

Liquidity and Capital Resources

Cash Flow Highlights

	Year ended September 30		
	2011	2010	2009
Cash used in operating activities	**(3,805)**	(2,891)	(2,053)
Cash used in investing activities	**(8,204)**	(5,603)	(2,369)
Cash provided by financing activities	**8,355**	16,802	5,670
Foreign exchange on cash and cash equivalents	**177**	(140)	199
(Decrease)/increase in cash and cash equivalents during the year	**(3,477)**	8,168	1,447
Cash and cash equivalents - beginning of year	**14,727**	6,559	5,112
Cash and cash equivalents - end of year	**11,250**	14,727	6,559

At September 30, 2011, the Company had cash and cash equivalents of $11,250 and working capital of $11,056 compared to cash and cash equivalents of $14,727 and working capital of $14,351 on September 30, 2010. The decrease is mainly due to the exploration expenditures on the Company's Kings Valley property and expenses, offset by the net proceeds of $8,355 from the exercise of warrants and stock options. The Company considers that it has sufficient cash to finance its core operations for at least 12 months from the date of approval of the financial statements.

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

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 and capital resources either materially increasing or decreasing at present or in the foreseeable future. Material increases or decreases in liquidity and capital resources are substantially determined by the success or failure of the exploration and development programs.

The Company does not now nor expects in the future to be engaged in currency hedging to offset any risk of currency fluctuations.

Operating Activities

Cash used in operating activities during the year ended September 30, 2011, was $3,806 compared to $2,891 used during the year ended September 30, 2010. The increase was primarily due to the increase in expenses and receivables. The increase in receivables was primarily due to $210 additional lease fees paid by the Company to BLM during the year, which were refunded subsequent to the year-end.

Investing Activities

Investing activities required cash of $8,203 during the year ended September 30, 2011, compared to cash of $5,603 used in 2010. The cash used in investing activities was for the exploration and development of the Company's Kings Valley property.

Financing Activities

Net cash provided by financing activities for the year ended September 30, 2011, was $8,355 compared to $16,802 in 2010. For the year ended September 30, 2011, the Company's financing activities include $8,090 received from the exercise of warrants and $265 received from the exercise of stock options. Financing activities for the year ended September 30, 2010, include $15,535 received from the private placement completed in October 2009; $461 received from the exercise of stock options, and $807 received from the exercise of warrants.

Related Party Transactions

In March 2011, the Company completed the acquisition from Concordia of the royalties and titles constituting substantially all of the Kings Valley property, paid through the issue to Concordia of 5,855 common shares of the Company.

The Company pays its non-executive directors a fee of $25 per year payable quarterly. Directors' fees of $88 (2010 - $Nil, 2009 - $Nil) are included in salaries and benefits expense of which $31 (2010 - $Nil, 2009 - $Nil) was included in accounts payable as at September 30, 2011.

Included in professional fees is $5 (2010 - $53, 2009 - $Nil) paid to the Company's Director for providing corporate consulting services and $nil (2010 - $5, 2009 – $Nil) paid in connection with public relations work to a firm where a Director of the Company is a Partner.

The Company had related party transactions with WMM Services Corporation ("WMM"), a private company owned equally by Western Lithium and Concordia. WMM provides administration, accounting and other office services to the Company on a cost-recovery basis. During 2011, the Company incurred $838 (2010 - $Nil, 2009 - $Nil) in salaries and other services to WMM incurred on its behalf of which $12 (2010 - $Nil, 2009 - $Nil) was included in account payable as at September 30, 2011.

The Company's related party expenses are broken down as follows:

	2011 **$**	2010 $	2009 $
Salaries and benefits	**768**	-	-
Office and administration	**154**	-	-
Professional fees	**9**	58	-
Total related parties expenses	**931**	58	-

The breakdown of expenses between the different related parties is as follows:

	2011 **$**	2010 $	2009 $
Directors of the Company	**93**	58	-
WMM Services Corporation	**838**	-	-
Total related parties expenses	**931**	58	-

The liabilities of the Company include the following amounts due to related parties:

	As at September 30, 2011 $	As at September 30, 2010 $	As at September 30, 2009 $
Directors of the Company	**31**	-	-
WMM Services Corporation	**12**	-	-
Total related parties expenses	**43**	-	-

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

Current Share Data

As at the date of this MD&A, the Company has 100,722 common shares issued and outstanding and has 12,108 stock options outstanding. As at the date of this MD&A, the Company has no warrants outstanding.

Off-Balance Sheet Arrangements

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

Commitments

The Company's current corporate office lease payments are $15 per month. The lease agreement can be cancelled by either party at any time subject to a three-month notice. The aggregate annual lease payments are due as follows:

Fiscal year 2012	$180
Fiscal year 2013	$15
Total	$195

Financial Instruments

The Company designated its financial instruments in accordance with the requirements of the CICA amended Section 3862, "Financial Instruments – Disclosures" as follows:

a) Cash and cash equivalents are classified as *"Held-for-trading"*. The fair value of the Company's cash and cash equivalents are classified as Level 1 within the fair value hierarchy established by CICA section 3862;

b) Receivables are classified as *"Loans and Receivables"*. The recorded values of receivables approximate their current fair value because of their nature and respective maturity dates or durations;

c) Accounts payable and accrued liabilities are classified as *"Other Financial Liabilities"*. The Company believes that the recorded values of accounts payable and accrued liabilities approximate their current fair value because of their nature and respective maturity dates or durations.

	Year ended September 30		
	2011	2010	2009
	$	$	$
Financial assets			
Held-for-Trading			
Cash and cash equivalents	**11,250**	14,727	6,559
Loans-and-receivables			
Receivables	**257**	35	7
Total financial assets	**11,507**	14,762	6,566
Financial liabilities			
Other-financial-liabilities			
Accounts payable and accrued liabilities	**685**	587	764
Total financial liabilities	**685**	587	764

Additional financial instruments disclosure is contained in Note 10 of the Company's audited consolidated financial statements for the year ended September 30, 2011.

Risks and Uncertainties

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

A summary of the Company's financial instruments risk exposure is provided in Note 10 of the Company's audited consolidated financial statements for the year ended September 30, 2011.

The following are additional risk factors which the Company's management believes are most important in the context of the Company's business. It should be noted that this list is not exhaustive and that other risk factors may apply. Additional risks are disclosed in the Company's Annual Information Form which is available on Sedar website at www.sedar.com.

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

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

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

The Company's results of operations also could be affected by the prices of other commodities such as fuel and other consumable items or the by-products. The prices of these commodities are affected also by numerous factors beyond the Company's control.

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

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

Technology Risk: To the company's knowledge, lithium carbonate has never been commercially produced from a hectorite clay resource. While extensive laboratory and pilot testing has been completed with high quality lithium carbonate produced successfully using known industry processes and equipment, the process contemplated by Western Lithium for the production of lithium carbonate has not yet been demonstrated at commercial scale.

Market Risk: The development of the Kings Valley Lithium Project is almost entirely dependent on the adoption of lithium-ion batteries for electric vehicles and other large format batteries that are only just being introduced to the market and whose projected adoption rates are not assured.

Mineral Tenure Risk: The unpatented mining claims that form the Kings Valley Property authorize the Company to develop and mine minerals which are subject to location under the Mining Law of 1872, as amended. The Mining Law does not explicitly authorize the owner of an unpatented mining claim to sell minerals that are leasable under the Mineral Lands Leasing Act of 1920, as amended, which includes potassium and sodium. The BLM is vested with a great deal of discretion in the management of the right to sell minerals governed by the *Mineral Lands Leasing Act*, particularly where they represent a potential by-product to an economically viable mineral deposit governed by the Mining Law.

The Company has initiated discussions with BLM to determine what, if any, contractual or regulatory approvals will be required to sell upgraded potassium sulfate as a by-product to lithium production and to confirm the Company's priority to such approvals, but the matter has not been determined. Accordingly, at this time it is not possible to confirm the entitlement of the Company to sell potassium sulfate as a by-product to lithium production on the property.

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

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

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

Environmental Compliance

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

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

Critical Accounting Estimates

The Company's consolidated financial statements are prepared in accordance with Canadian GAAP and require management to make estimates and assumptions that affect both the amount and timing of the recording of assets, liabilities, revenues and expenses.

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, 2011. Management considers the following policies to be the most critical in understanding the judgments that are involved in the preparation of the Company's consolidated financial statements:

Mineral Properties and Deferred Costs

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

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

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

Asset Retirement Obligations

Asset retirement obligations are recognized when a legal or constructive obligation arises. This liability is recognized at the fair value of the asset retirement obligation. When the liability is initially recorded the Company capitalizes the cost by increasing the carrying amount of the related long-lived assets. Over time the liability is accreted to its estimated future value, and the capitalized cost is amortized over the useful life of the related asset. Upon settlement of the liability, the Company may incur a gain or loss. As at September 30, 2011, the Company does not have any asset retirement obligations.

Impairment of Long-lived Assets

The Company reviews and evaluates the recoverability of property, plant and equipment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If changes in circumstance indicate that the carrying amount of an asset that an entity expects to hold and use may not be recoverable, future cash flows expected to result from the use of the asset and its disposition must be estimated.

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

Income Taxes

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

Stock - Based Compensation

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

Valuation of Equity Units Issued in Private Placements

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

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

New Accounting Policies and Standards

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. There was no impact from these pronouncements on the Company's financial statements.

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.

The Company has completed its analysis of significant differences between Canadian GAAP and IFRS and has commenced the process of transitioning its accounting basis to IFRS.

The following table summarizes the Company's primary IFRS conversion phases

Primary Phases		Current status
1) Scoping and Diagnostic	During the fiscal 2011, the Company completed its initial high-level impact assessment which included assessment to determine the financial reporting areas most likely to be affected by the conversion and the overall impact on transition to the new policies on the consolidated financial statements.	Completed

2) Impact and Analysis	The Company has evaluated specific changes required to existing accounting policies and identified new accounting policies to be adopted under IFRS in the following steps:	
Business activities	• As the accounting policies are being developed, the Company considers theirs impact on all material agreements prior to adoption.	In progress
Internal controls over financial reporting	• The Company continues assessing the effectiveness of internal controls over financial reporting for all accounting changes identified. The Company does not expect to have any significant impact on the Company's internal controls over financial reporting upon adoption of these new accounting policies.	In progress
Disclosure controls and procedures	• The Company does not expect any significant changes required to existing procedures over its disclosure controls and procedures upon adoption IFRS.	In progress
Financial information systems	• The Company has assessed its existing information system and concluded that it is sufficient and no significant changes will be required to report under IFRS	Completed
Training and consulting	• The Company has provided necessary time to its key management staff to attend externally provided IFRS training sessions. The Company has hired additional IFRS expertise on a consulting basis to help with the transition to IFRS. During the next fiscal year, the Company intends to provide additional training to its staff as required and intends to work closely with its auditors to ensure its assessments on the adoption of IFRS are accurate. Members of the board of directors and audit committee have the required financial reporting expertise to ensure the successful transition to IFRS.	In progress
3) Implementation and Review	This phase will include completion of formal documentation on transition to IFRS, approval by the Board of Directors, the preparation of an IFRS compliant opening balance sheet as at October 1, 2010, necessary conversion adjustments and reconciliations, preparation of pro-forma financial statements, note disclosures and disclosures required for the MD&A. The Company has completed review of the IFRS accounting policies to be adopted and will continue monitoring new accounting standard issued after the conversion period.	In progress

First-time Adoption Considerations

IFRS 1, "First Time Adoption of International Reporting Standards," provides guidance on the first time adoption of the IFRS standards with a number of optional and mandatory exemptions that provide alternatives to the retroactive application of the standard. The Company has evaluated all available IFRS 1 exemptions and those determined to be the most appropriate and beneficial for the Company will be adopted. So far, the Company decided to adopt the following optional exemption under IFRS 1:

- The Company currently presents its Canadian GAAP financial statements in Canadian dollars. The Company intends to change to a US-dollar presentation currency under IFRS. Due to the change in functional currencies the Company will need to adopt the IFRS 1 exemption. This will result in the reclassification of the cumulative currency translation adjustment (CTA) balance into retained earnings and reset the CTA to zero on transition to IFRS on October 1, 2010. The gain or loss on a subsequent disposal of any foreign operation should exclude translation differences that arose before the date of transition to IFRS.

- IFRS 1 provides two exemptions from retrospective application of IFRS 2 for equity settled transactions. The application of IFRS 2 to share-based payments granted before November 7, 2002, or share-based payments granted subsequent to November 7, 2002, that vested before the transition date. The Company intends to take the election exempting all options that have become fully vested as at the date of transition as it will simplify the conversion process.

The following table summarizes certain key areas where the accounting policies may differ significantly between IFRS and Canadian GAAP, and based on the management's assessment are expected to have at least a nominal impact on the Company's financial statements

Accounting Policy	Selected Policy Differences and Potential impact
Mineral Properties and Deferred Costs	**Current Policy:** Under the Company's current accounting policy, direct costs related to the acquisition and exploration of mineral properties held or controlled by the Company is capitalized. **IFRS:** IFRS 6 allows an entity to select an accounting policy to either capitalize or expense exploration and evaluation expenditures until the point at which feasibility of a project has been demonstrated through definition of reserves or a feasibility study. **Impact:** The Company will expense all exploration and evaluation costs except for expenditures associated with the acquisition costs, including amongst other costs, the lease payments to the government and legal costs associated with filing. As a result, the deferred exploration costs incorporated into the Mineral Properties and Deferred Costs' balance sheet line item will decrease. As the deferred exploration costs will now be expensed, the deficit of the Company will increase compared to the previously stated Canadian GAAP financial statements. In addition, the line items of consolidated financial statements such as Mineral property, plant and equipment, depreciation and amortization may also be affected in the future.
Asset Impairment	**Current Policy:** Canadian GAAP generally uses a two-step approach to impairment testing: first comparing asset carrying values with undiscounted future cash flows to determine whether impairment exists; and then measuring any impairment by comparing asset carrying values with discounted cash flows. **IFRS:** IAS 36, "Impairment of Assets" uses a one-step approach for both testing and measurement of impairment, with asset carrying values compared directly with the higher of fair value less costs to sell and value in use (which uses discounted future cash flows). IFRS allows for the reversal of a previous write-down in the event of a recovery in value. **Impact:** Currently the Company has no significant assets for which impairment testing is required. However, as events and circumstances of the Company's operations change that give rise to impairment testing, IAS 36 will be applied.
Share Based Payments	**Current Policy:** Canadian GAAP allows either accelerated or straight-line method of amortization for the fair value of stock options under graded vesting. **IFRS:** IFRS 2 allows using the graded-vesting method of amortization only. **Impact:** Currently, the Company is using the graded-vesting method and is compliant with IFRS 2 for all grants. **Current Policy:** Canadian GAAP allows recognizing the entire expense and then adjusting for forfeiture when they occur.

	IFRS: IFRS requires that forfeitures be estimated at the time of grant to eliminate distortion of remuneration expense recognized during the vesting period. The estimate should be revised if subsequent information indicated that actual forfeitures are likely to differ from previous estimates. **Impact:** Company is currently using the estimate of forfeitures when determining the number of equity instruments expected to vest. Upon adoption of IFRS 2, the Company will be fully compliant with the new standard and the adoption is not expected to have an impact on the financial statements.
Foreign Currency	**Current Policy:** Under Canadian GAAP, the Company's activities and those of its subsidiaries denominated in currencies other than Canadian dollars are translated as integrated operations using the temporal method. **IFRS:** IFRS requires that the functional currency of each entity in the consolidated group be determined separately in accordance with IAS 21 and the entity's financial results and position should be measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). As events and conditions relevant to the Company change, management will need to re-consider the primary and secondary indicators, as described in IAS 21, in determining the functional currency for each entity. **Impact:** Based on the criteria presented under IAS 21, the functional currency for Western Lithium USA Corporation and Western Lithium Corporation has been assessed as Canadian dollars and US dollars respectively. The Company currently presents its Canadian GAAP financial statements in Canadian dollars. The Company intends to change to a US$ presentation currency under IFRS.
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 Company may adopt other IFRS changes, which are not presented in the above table. The list highlights areas where the management expects the impact of transition will be the greatest based on the current IFRS. 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.

Investor Relations

Jay Chmelauskas, President, and Brian Bergot, VP Investor Relations, coordinates investor relations' activities for the Company.

Change in Directors and Management

Effective March 31, 2011, Terry Krepiakevich was appointed to the Company's board of directors.

Effective March 17, 2011, Tracy Hansen was appointed as Vice President. Ms. Hansen was appointed Corporate Secretary of the Company in January 2010.

Effective April 18, 2011, Brian Bergot was appointed as Vice President, Investor Relations.

Disclosure Controls and Procedures

On February 2, 2011, the Company graduated from the TSX Venture Exchange to the TSX. Consequently, according to the requirements of National Instrument 52-109 "Certification of Disclosure in Issuers' Annual and Interim Filings", management of the Company took steps to improve the design, evaluation and the monitoring of the disclosure controls and procedures over the public disclosure of financial and non-financial information and reliability of financial reporting.

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to management, including the President and Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure. Management, including the President and Chief Financial Officer, has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined by the Canadian Securities Administrators). Based on that evaluation and as at September 30, 2011, the certifying officers have each concluded that such disclosure controls and procedures are effective to achieve the purpose for which they have been designed, as defined in National Instrument 52-109 – Certification of Disclosure in Issuer's Annual and Interim Filings.

Internal Controls over Financial Reporting

Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian generally accepted accounting principles. Management is responsible for the design of the Company's internal controls over financial reporting.

The Company's internal controls over financial reporting include policies and procedures that pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and disposition of assets, provide reasonable assurance that transactions are recorded as necessary to permit the preparation of the financial statements in accordance with Canadian GAAP and that receipts and expenditures are being made only in accordance with authorization of management and directors of the Company, and provide reasonable assurance regarding prevention or timely detection of authorized acquisition, use or disposition of assets that could have a material effect on the financial statements.

Because of their inherent limitations, internal controls over financial reporting can provide only reasonable assurance and may not prevent or detect misstatements. Furthermore, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company's management, under the supervision of the President and Chief Financial Officer, has evaluated the effectiveness of the Company's internal controls over financial reporting using framework and criteria established in Internal Control-Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, management has concluded that internal controls over financial reporting were effective as at September 30, 2011.

There has been no change in the Company's internal controls over financial reporting that occurred during the most recently completed quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

Qualified Person

Mr. Dennis Bryan, a qualified person for the purposes of NI 43-101, has approved the scientific and technical information in this MD&A, regarding the Kings Valley Lithium Property. For further description of scientific and technical information about the Kings Valley Property, please refer to the technical report filed on SEDAR website (www.sedar.com) and dated December 31, 2009 for Stage I and the technical report dated May 15, 2010 for Stage II. A further technical report in respect of Stage I will be filed on SEDAR within 45 days following the Company's announcement of the PFS on December 14, 2011.

Forward Looking Statements

Certain of the statements made and information contained herein is "forward-looking information" within the meaning of applicable Canadian securities legislation. 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 Nevada;
- the impact of increasing competition in the lithium business;
- unpredictable changes to the market prices for lithium and potassium;
- imprecision in the United States Bureau of Land Management's (BLM) regulatory process for allowing the Company's sale of the potassium by-product;
- exploration, development and operating costs for its Kings Valley Property;
- ability to negotiate satisfactory arrangements for the sale of product or with joint-venture partners;
- anticipated results of exploration and development 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, including the following: volatility in the market price for minerals; uncertainties associated with estimating resources; the potential for unexpected geological, technical, drilling or processing problems; liabilities and risks, including environmental liabilities and risks, inherent in mineral extraction operations; 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, product sales agreements 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, except as required by law.

WESTERN LITHIUM USA CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010

(Expressed in Canadian Dollars)

CHARTERED ACCOUNTANTS
MacKay LLP

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Independent Auditor's Report

To the Shareholders of
Western Lithium USA Corporation

We have audited the accompanying consolidated financial statements of Western Lithium USA Corporation and its subsidiary, which comprise the consolidated balance sheets as at September 30, 2011 and September 30, 2010, and the consolidated statements of operations, comprehensive loss and deficit and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Western Lithium USA Corporation and its subsidiary as at September 30, 2011 and September 30, 2010 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"MacKay LLP"

Chartered Accountants
Vancouver, British Columbia
December 22, 2011

WESTERN LITHIUM USA CORPORATION
CONSOLIDATED BALANCE SHEETS
(In thousands of Canadian dollars)

	September 30, 2011 $	September 30, 2010 $
A S S E T S		
CURRENT ASSETS		
Cash and cash equivalents	11,250	14,727
Receivables	257	35
Prepaid expenses and deposits	234	176
	11,741	14,938
MINERAL PROPERTIES AND DEFERRED COSTS (Note 3)	25,871	10,791
	37,612	25,729
L I A B I L I T I E S		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 5)	685	587
S H A R E H O L D E R S' E Q U I T Y		
SHARE CAPITAL (Note 4)	46,029	29,911
CONTRIBUTED SURPLUS (Note 4)	7,354	6,114
DEFICIT	(16,456)	(10,883)
	36,927	25,142
	37,612	25,729

Nature of operations (Note 1)
Commitments (Notes 3 and 6)
Subsequent event (Note 12)

On behalf of the Board:

"Terry Krepiakevich" Director *"John Macken"* Director

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

WESTERN LITHIUM USA CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT
(In thousands of Canadian dollars, except per share amounts and shares in thousands)

	2011 $	2010 $
EXPENSES		
Investor relations	233	208
Office and administration	485	502
Professional fees (Note 5)	750	763
Regulatory and filing fees	285	64
Salaries and benefits (Note 5)	1,541	795
Stock-based compensation (Note 4)	2,153	2,284
Travel and conferences	407	553
LOSS BEFORE OTHER ITEMS	(5,854)	(5,169)
OTHER ITEMS		
Foreign exchange gain/(loss)	177	(140)
Interest income	104	61
	281	(79)
NET LOSS AND COMPREHENSIVE LOSS	(5,573)	(5,248)
DEFICIT – BEGINNING OF YEAR	(10,883)	(5,635)
DEFICIT – END OF YEAR	(16,456)	(10,883)
BASIC AND DILUTED LOSS PER SHARE	(0.06)	(0.06)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING – BASIC AND DILUTED	91,932	81,724

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

WESTERN LITHIUM USA CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands of Canadian dollars)

	2011 $	2010 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	(5,573)	(5,248)
Items not affecting cash:		
Stock-based compensation	2,153	2,284
Foreign exchange on cash	(177)	140
Changes in non-cash working capital items:		
Increase in receivables, prepaids and deposits	(280)	(84)
Increase in accounts payable and accrued liabilities	71	17
Net cash used in operating activities	(3,806)	(2,891)
CASH FLOWS FROM INVESTING ACTIVITY		
Acquisition of mineral properties and deferred costs	(8,203)	(5,603)
Net cash used in investing activity	(8,203)	(5,603)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of common shares	8,355	17,870
Share issue costs	-	(1,068)
Net cash provided by financing activities	8,355	16,802
FOREIGN EXCHANGE ON CASH AND CASH EQUIVALENTS	177	(140)
CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR	(3,477)	8,168
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	14,727	6,559
CASH AND CASH EQUIVALENTS – END OF YEAR	11,250	14,727

CASH AND CASH EQUIVALENTS IS COMPRISED OF:

Cash	2,507	1,087
Term deposits	8,743	13,640
	11,250	14,727

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Supplemental disclosure with respect to cash flows (Note 9)

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

1. NATURE OF OPERATIONS

Western Lithium USA Corporation ("Western Lithium" or the "Company") is a Canadian based resource company focused on the exploration and development of a lithium resource property located in north-western Nevada. The Company was incorporated on November 27, 2007, under Business Corporations Act of the Province of British Columbia under the name Western Lithium Canada Corporation as a subsidiary of Concordia Resource Corp. ("Concordia", formerly Western Uranium Corporation). Following the completion of the Plan of Arrangement between the two companies, Western Lithium ceased to be wholly-owned by Concordia and became an independent publicly traded company on the TSX Venture Exchange on July 16, 2008. On May 31, 2010, the Company changed its name to Western Lithium USA Corporation. Effective February 2, 2011, the Company commenced trading on the TSX under the symbol WLC.

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

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Comparative Figures

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

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

Mineral Properties and Deferred Costs

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

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

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

Asset Retirement Obligations

Asset retirement obligations are recognized when a legal or constructive obligation arises. This liability is recognized at the fair value of the asset retirement obligation. When the liability is initially recorded the Company capitalizes the cost by increasing the carrying amount of the related long-lived assets. Over time the liability is accreted to its estimated future value, and the capitalized cost is amortized over the useful life of the related asset. Upon settlement of the liability, the Company may incur a gain or loss. As at September 30, 2011 and 2010, the Company does not have any asset retirement obligations.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of Long-lived Assets

The Company reviews and evaluates the recoverability of property, plant and equipment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If changes in circumstance indicate that the carrying amount of an asset that an entity expects to hold and use may not be recoverable, future cash flows expected to result from the use of the asset and its disposition must be estimated.

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

Principles of Consolidation

The consolidated financial statements contained herein include the accounts of Western Lithium USA Corporation, its wholly-owned USA subsidiary, Western Lithium Corporation, and Canadian subsidiary WMM Services Corporation ("WMM"), a private company owned equally by Western Lithium USA Corporation and Concordia Resource Corp. All inter-company transactions and balances have been eliminated.

Cash and Cash Equivalents

Cash consists of cash in the bank and highly-liquid short-term investment with an original maturity of less than three months, which, in opinion of management, is subject to an insignificant risk of changes in value. As at September 30, 2011, the Company's cash equivalents are invested in term deposits with the annual interest rates in the range of 0.3% to 1.3% (September 30, 2010 – 0.1% to 0.85%).

Income Taxes

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign Currency Translation

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

Financial Instruments

All financial instruments are classified into one of five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments are measured in the balance sheet at fair value initially. Subsequent measurement and changes in fair value will depend on their initial classification. Held-for-trading financial assets and liabilities are measured at fair value and changes in fair value are recognized into net income. Available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income. Loans and receivables, held-to-maturity investments and other financial liabilities are measured at amortized cost.

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

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

Loss per Share

Loss per share is calculated based on the weighted average number of common shares issued and outstanding during the period. The Company uses the treasury stock method to calculate the dilutive effect of options, warrants, and similar instruments. Under this method, the dilutive effect on earnings per share is calculated presuming the exercise of outstanding options, warrants, and other similar instruments. It is assumed that the proceeds of such exercise would be used to repurchase common shares at the average market price during the period. However, in periods when a loss is incurred, the effect of potential issuances of shares under options and warrants would be anti-dilutive, and, therefore, basic and diluted losses per share are the same. Information regarding securities that could potentially dilute basic earnings per share in the future is presented in Note 4.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Stock-based Compensation

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

Share Issue Costs

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

Valuation of Equity Units Issued in Private Placements

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

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

Transition to International Financial Reporting Standards

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.

(In thousands of Canadian dollars and shares in thousands, unless otherwise stated)

3. MINERAL PROPERTIES AND DEFERRED COSTS

Kings Valley Property, Nevada, USA	**Year ended September 30, 2011 $**	**Year ended September 30, 2010 $**
Acquisition costs		
Balance, beginning of year	794	230
Shares issued for the purchase of lease and royalties	6,850	-
Additions	1,438	564
Balance, end of year	9,082	794
Deferred exploration costs		
Drilling	1,623	1,188
Engineering	425	566
Environmental	125	60
Geological and consulting	2,784	1,452
Field supplies and other	196	134
Geochemistry, assays and sampling	1,149	398
Metallurgy and lab costs	461	933
Warehouse construction	143	-
Deposits	(114)	114
Total deferred exploration costs	6,792	4,845
Balance, beginning of year	9,997	5,152
Balance, end of year	16,789	9,997
Total mineral property costs	25,871	10,791

2011 additions to the acquisition costs include the purchase of a farm property and accompanying water rights in the same basin as the Kings Valley Property is located.

Lease Agreement with WEDC prior to the Purchase of Lease and Royalties from WEDC

The Company and Concordia entered into a mining lease and option to purchase agreement (the "Lease Agreement"), through their subsidiaries, Western Lithium Corporation (100% owned by Western Lithium USA Corporation) and Western Energy Development Corporation ("WEDC", 100% owned by Concordia), pursuant to which Concordia granted to the Company the exclusive right to explore for lithium bearing minerals and clay on the Kings Valley Property (the "Exploration Right"). The Lease Agreement had a term of 30 years that was renewable subject to Western Lithium fulfilling terms required under the lease agreement.

3. MINERAL PROPERTIES AND DEFERRED COSTS (continued)

In consideration for the Exploration Right, the Company had to pay to Concordia US$25 (paid), US$50 (paid) on the first anniversary of the effective date of the Lease Agreement, US$75 (paid on the second anniversary of the effective date of the Lease Agreement) on each of the second through fourth anniversaries of the effective date of the Lease Agreement, US$100 on each of the fifth through tenth anniversaries of the effective date of the Lease Agreement, US$150 on each of the eleventh through twentieth anniversaries of the effective date of the Lease Agreement and US$200 on each of the twenty-first through thirtieth anniversaries of the effective date of the Lease Agreement, for total payments of US$4,400 (US$150 paid). These payments are applied against any royalty payments. The Company had agreed to pay to Concordia a Net Smelter Returns Royalty of 1.5% and a Net Profits Royalty equal to 3.5%.

Purchase of Lease and Royalties from WEDC

In March 2011, Western Lithium and Concordia completed the purchase and sale transaction of the royalties and titles constituting substantially all of the Kings Valley Property for $6,850 paid through the issue to Concordia of 5,855 common shares with a fair value of $1.17 per share. As a result of the transaction, all of the lithium properties 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 a Net Profits Royalty of 3.5% on any lithium and related byproducts. Western Lithium assumed a 20% royalty to Cameco Global Exploration II Ltd. solely in respect of uranium on the Kings Valley Property and other commitments in respect to some claims as follows:

- Mining Option Agreement with Uravada Inc. ("Uravada") on certain mining claims for US$50 annual payment due on January 21st in advance net smelter return royalty payments. The Company's interest in these claims is subject to a 3% net smelter return royalty. There is a two mile area of influence around the Uravada claims lease;

- Mining Option Agreement to acquire four mining claims for US$2 per year (US$2 paid in November 2011) in advance net smelter return royalty payments due on November 15th. The Company's interest in these claims is subject to a 1.5% net smelter return royalty;

- 20-year renewable mining lease on two claims for US$10 (US$10 paid in November 2011) per year in advance net smelter return royalty payments due on November 15th. The Company's interest in these claims is subject to a 2% net smelter return royalty or US$10 a year, whichever is greater. The advance minimum royalty payments shall be paid in two installments each year, half on the November 15th anniversary date and half six months later. The Company has an option to purchase the claims for US$100, less any amounts previously paid (US$55 paid as of November, 2011) as advance royalty payments, in which case no further royalties are payable.

(In thousands of Canadian dollars and shares in thousands, unless otherwise stated)

4. SHARE CAPITAL AND CONTRIBUTED SURPLUS

	Shares	Amount $	Contributed Surplus, $
Authorized			
Unlimited common shares without par value			
As at September 30, 2009	63,084	13,354	3,610
Private placement	17,476	16,602	-
Share issuance costs	-	(1,093)	-
Fair value of compensation options	-	(699)	699
Exercise of stock options	925	461	-
Fair value of stock options exercised	-	356	(356)
Exercise of share purchase warrants	860	516	-
Exercise of finders' and agents' warrants	483	291	-
Fair value of warrants exercised	-	123	(123)
Stock-based compensation	-	-	2,284
As at September 30, 2010	82,828	29,911	6,114
Exercise of stock options	484	265	-
Fair value of stock options exercised	-	217	(217)
Exercise of share purchase warrants	10,614	7,196	-
Exercise of finders' and agents' warrants	941	894	-
Fair value of warrants exercised	-	696	(696)
Shares issued for the purchase of lease and royalties from WEDC	5,855	6,850	-
Stock-based compensation	-	-	2,153
As at September 30, 2011	100,722	46,029	7,354

During the year ended September 30, 2011, the Company:

a) issued 484 common shares pursuant to the exercise of an equivalent number of stock options for gross proceeds of $265;

b) issued 10,614 common shares pursuant to the exercise of an equivalent number of share purchase warrants for gross proceeds of $7,196;

c) issued 941 common shares pursuant to the exercise of an equivalent number of agent's and finder's warrants for gross proceeds of $894;

d) issued 5,855 shares at a price of $1.17 for the purchase of lease and royalties from WEDC for total purchase price of $6,850.

(In thousands of Canadian dollars and shares in thousands, unless otherwise stated)

4. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

During the year ended September 30, 2010, the Company:

a) completed a private placement of an aggregate of 17,476 units at a price of $0.95 per unit for aggregate gross proceeds to the Company of $16,602 (net $15,509). Each unit is comprised of one common share and one-half of a common share purchase warrant. Each whole warrant will entitle the holder thereof to purchase an additional common share for a period of eighteen months at a price of $1.25 per warrant.

   In connection with the private placement, the Company paid to agents a cash commission of $897 and granted 945 compensation options. Each compensation option is exercisable to purchase one common share of the Company for a price of $0.95 for a period of eighteen months. The fair value of the compensation options granted was estimated at $0.74 per option for a total of $699 and was recorded as share issue costs with a corresponding increase to contributed surplus. The fair value of options was estimated using Black-Scholes option pricing model with the following assumptions: risk-free rate of 1.55%, estimated volatility 128%, expected life of 18 months and expected dividend yield of 0%. In addition, a finder's fee totaling $28.5 was paid in respect of the issue and sale of 750 units for which the agents were not paid cash commission;

b) issued 925 common shares pursuant to the exercise of an equivalent number of stock options for gross proceeds of $461;

c) issued 860 common shares pursuant to the exercise of an equivalent number of share purchase warrants for gross proceeds of $516;

d) issued 483 common shares pursuant to the exercise of agent's and finders' warrants for gross proceeds of $291.

Warrants

A summary of the changes in the number of the Company's share purchase warrants and agents' and finders' warrants during the years ended September 30, 2011 and 2010, is as follows:

	Number of Warrants *('000's)*	Weighted Average Exercise Price Per Share $
Balance, September 30, 2009	10,680	0.60
Issued	945	0.95
Issued	8,738	1.25
Exercised	(1,340)	(0.60)
Exercised	(4)	(0.95)
Balance, September 30, 2010	19,019	0.92
Exercised	(11,554)	(0.70)
Expired	(7,465)	(1.25)
Balance, September 30, 2011	-	-

(In thousands of Canadian dollars and shares in thousands, unless otherwise stated)

4. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

Stock options

The Company has a stock option plan in accordance with the policies of the TSX 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 16,860 common shares are reserved for the issuance of stock options. The exercise price of each option is based on the market price of the Company's common stock at the time of the grant. The options can be granted for a maximum term of 5 years.

A summary of the status of the Company's stock options as of September 30, 2011, and 2010 and changes during the years then ended is presented below:

	Number of Options *('000's)*	Weighted Average Exercise Price Per Share, $
Balance, outstanding September 30, 2009	7,916	0.50
Granted	2,610	1.26
Exercised	(925)	(0.50)
Expired	(15)	(0.54)
Balance, outstanding September 30, 2010	9,586	0.70
Granted	3,195	0.97
Exercised	(484)	(0.55)
Cancelled	(54)	(1.02)
Expired	(135)	(1.19)
Balance, outstanding – September 30, 2011	12,108	0.77

During the year ended September 30, 2011, the Company granted a total of 3,195 stock options to its directors, employees and consultants. 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:

	December 16, 2010	January 26, 2011	March 17, 2011	March 31, 2011	September 16, 2011
Number of options granted *('000's)*	100	1,000	695	200	1,200
Exercise price per share	$1.11	$1.33	$1.12	$1.22	$0.54
Risk-free interest rate	2.25%	2.31%	2.20%	2.44%	1.4%
Expected life	5 years	5 years	5 years	5 years	5 years
Annualized volatility	108%	107%	104%	103%	82%
Dividend rate	0.00%	0.00%	0.00%	0.00%	0.00%
Fair value per stock option granted	$0.87	$1.04	$0.86	$0.93	$0.35
Total fair value of stock options granted	$87	$1,040	$598	$186	$420

(In thousands of Canadian dollars and shares in thousands, unless otherwise stated)

4. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

During the year ended September 30, 2010 the Company granted a total of 2,610 stock options to its directors, employees and consultants. The fair values 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:

	November 2, 2009	December 14, 2009	February 4, 2010	May 12, 2010	July 14, 2010
Number of options granted *('000's)*	1,300	200	285	100	725
Exercise price per share	$1.28	$1.43	$2.03	$1.09	$0.88
Risk-free interest rate	2.4%	2.31%	2.15%	2.69%	2.41%
Expected life	5 years	5 years	5 years	5 years	5 years
Annualized volatility	128%	122%	125%	118%	115%
Dividend rate	0.00%	0.00%	0.00%	0.00%	0.00%
Fair value per stock option granted	$1.10	$1.20	$1.39	$0.90	$0.72
Total fair value of stock options granted	$1,430	$240	$396	$90	$522

Stock-based compensation expense of $2,153 (2010 - $2,284) was charged to operations and credited to contributed surplus to reflect the fair value of stock options vested during the year ended September 30, 2011. At September 30, 2011, $749 of the fair value of stock options previously granted but not yet vested remains to be expensed in fiscal 2012 , $32 in 2013.

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

Number of Options Outstanding *('000's)*	Number of Options Exercisable *('000's)*	Exercise Price Per Share, $	Expiry Date
4,900	4,900	0.50	June 6, 2013
100	100	0.72	August 11, 2013
1,400	1,150	0.45	October 16, 2013
133	133	0.54	March 17, 2014
1,175	1,175	1.28	November 2, 2014
200	200	1.43	December 14, 2014
285	285	2.03	February 4, 2015
100	75	1.09	May 12, 2015
620	465	0.88	July 14, 2015
100	50	1.11	December 16, 2015
1,000	500	1.33	January 26, 2016
695	348	1.12	March 17, 2016
200	100	1.22	March 31, 2016
1,200	300	0.54	September 16, 2016
12,108	9,781		

(In thousands of Canadian dollars and shares in thousands, unless otherwise stated)

5. RELATED PARTY TRANSACTIONS

The Company pays its non-executive directors a fee of $25 per year payable quarterly.

The Company had related party transactions with WMM Services Corporation, a private company owned equally by Western Lithium USA Corporation and Concordia Resource Corp. WMM provides administration, accounting and other office services to the Company on a cost-recovery basis.

The Company's related party expenses are broken down as follows:

	For the year ended September 30, 2011 $	For the year ended September 30, 2010 $
Salaries and benefits	768	-
Office and administration	154	-
Professional fees	9	58
Total related parties expenses	931	58

The breakdown of expenses between the different related parties is as follows:

	For the year ended September 30, 2011 $	For the year ended September 30, 2010 $
Directors of the Company	93	58
WMM Services Corporation	838	-
Total related parties expenses	931	58

The liabilities of the Company include the following amounts due to related parties:

	As at September 30, 2011 $	As at September 30, 2010 $
Directors of the Company	31	-
WMM Services Corporation	12	-
Total liabilities due to related parties	43	-

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

(In thousands of Canadian dollars and shares in thousands, unless otherwise stated)

6. COMMITMENTS

The Company has committed to rent office space in the amount of $15/month until October 31, 2013, with an option to renew this agreement on or before August 1, 2013. The rental agreement can be cancelled by either party at any time provided a three-month notice.

7. SEGMENTED INFORMATION

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

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

	September 30, 2011		
	Canada $	United States $	Total $
Current assets	10,960	781	11,741
Mineral properties and deferred costs	-	25,871	25,871
	10,960	26,652	37,612

	September 30, 2010		
	Canada $	United States $	Total $
Current assets	14,875	63	14,938
Mineral properties and deferred costs	-	10,791	10,791
	14,875	10,854	25,729

8. INCOME TAXES

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

	2011 $	2010 $
Loss for the year	(5,573)	(5,248)
Expected income tax recovery	(1,504)	(1,516)
Item not deductible for income tax purposes	584	667
Change in tax rates and other	7	(120)
Change in valuation allowance	913	969
Future income tax (expense)/recovery	-	-

(In thousands of Canadian dollars and shares in thousands, unless otherwise stated)

8. INCOME TAXES (continued)

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

	September 30, 2011 $	September 30, 2010 $
Future income tax assets/(liabilities)		
Mineral properties	-	135
Financing costs	213	302
Operating loss carryforward	2,611	1,474
	2,824	1,911
Valuation allowance for future income tax asset	(2,824)	(1,911)
Net future income tax assets/(liabilities)	-	-

The Company has Canadian non-capital loss carryforwards of $7,700 (2010 - $4,700) and US$2,200 (2010 - $1,100) expiring between 2029 – 2031 which are available to reduce taxable income in Canada and the US respectively.

9. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

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

	For the year ended September 30, 2011 $	For the year ended September 30, 2010 $
Accounts payable and accrued liabilities relating to mineral property expenditures	453	426
Fair value of stock options exercised	217	356
Fair value of compensation warrants granted to agents	-	699
Fair value of agents' and finder's warrants exercised	696	123
Shares issued for the purchase of lease and royalties from WEDC	6,850	-

10. FINANCIAL INSTRUMENTS

The Company designated its financial instruments in accordance with the requirements of the CICA amended Section 3862, "Financial Instruments – Disclosures" as follows:

a) Cash and cash equivalents are classified as *"Held-for-trading"*. The fair value of the Company's cash and cash equivalents are classified as Level 1 within the fair value hierarchy established by CICA section 3862;

b) Receivables are classified as *"Loans and Receivables"*. The recorded values of receivables approximate their current fair value because of their nature and respective maturity dates or durations;

c) Accounts payable and accrued liabilities are classified as *"Other Financial Liabilities"*. The Company believes that the recorded values of accounts payable and accrued liabilities approximate their current fair value because of their nature and respective maturity dates or durations.

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.

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

September 30, 2011	Level 1	Level 2	Level 3
Assets			
Cash and cash equivalents	$ 11,250	$ -	$ -

September 30, 2010	Level 1	Level 2	Level 3
Assets			
Cash and cash equivalents	$ 14,727	$ -	$ -

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.

10. FINANCIAL INSTRUMENTS (continued)

Credit Risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash, cash equivalents and accounts receivable. 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 prepaid expenses and deposits consist of the $100 bank deposit for the Company's secured credit cards and other miscellaneous prepaid expenses and deposits that are subject to normal industry credit risk.

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.

As at September 30, 2011, the Company had cash and cash equivalents balance of $11,250 (September 30, 2010 - $14,727) to settle current liabilities of $685 (September 30, 2010 - $587). 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.

Market Risk

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

i) Foreign Currency Risk

All current assets and liabilities of the Company, except cash and cash equivalents of $8,168, receivables of $29, prepaid expenses and deposits of $171, and accounts payable and accrued liabilities of $168, are denominated in US dollars and have been translated at a value of $1.05 Canadian dollars to $1.00 US dollar. If the US dollar appreciated by 1% in relation to Canadian dollar, the Company's loss would have decreased by approximately $29.

10. FINANCIAL INSTRUMENTS (continued)

ii) Price Risk

The Company is exposed to price risk with respect to commodity 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 to determine the appropriate course of action to be taken by the Company. Price risk is not significant since the Company is not a producing entity.

iii) Interest Rate Risk

The Company is exposed to interest rate risk to the extent that the cash maintained at the financial institutions is subject to a floating rate of interest. If the interest rate on the Company's cash maintained in the financial institutions decreased by 0.1%, the Company's loss would have increased by approximately $11. The interest rate risk on cash and cash equivalents is not considered significant.

11. CAPITAL DISCLOSURE

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

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

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the period ended September 30, 2011. The Company is not subject to external covenants.

12. SUBSEQUENT EVENT

In November 2011, the Company paid US$10 in advance net smelter return royalty payment under the 20-year renewable mining lease agreement.