

# **WESTERN URANIUM CORPORATION**

## **CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015**

**(Stated in \$USD)**

**(Unaudited – Prepared by Management)**

**(These unaudited condensed interim consolidated financial statements, prepared by management, have not been reviewed by the Company's external auditors)**

**WESTERN URANIUM CORPORATION**  
**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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**WESTERN URANIUM CORPORATION**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(Stated in \$USD)

	As of	
	September 30, 2016 (unaudited)	December 31, 2015
<b>Assets</b>		
Current assets:		
Cash	\$ 474,681	\$ 214,482
Prepaid expenses	156,879	119,656
Marketable securities	3,039	2,880
Restricted cash, current portion	215,976	-
Other current assets	21,638	15,774
<b>Total current assets</b>	<b>872,213</b>	<b>352,792</b>
Land, buildings and improvements	-	1,050,810
Restricted cash, net of current portion	820,357	1,036,286
Mineral properties	11,645,218	11,645,218
Ablation intellectual property	9,488,051	9,488,051
<b>Total assets</b>	<b>\$ 22,825,839</b>	<b>\$ 23,573,157</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Liabilities</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 793,115	\$ 825,101
Mortgage payable	-	1,051,000
Deferred contingent consideration	372,000	500,000
Subscription payable	-	198,298
Current portion of reclamation liability	215,976	-
Current portion of notes payable	295,513	490,193
<b>Total current liabilities</b>	<b>1,676,604</b>	<b>3,064,592</b>
Reclamation liability, net of current portion	187,663	220,129
Deferred tax liability	4,063,330	4,063,330
Notes payable, net of discount and current portion	463,677	449,984
<b>Total liabilities</b>	<b>6,391,274</b>	<b>7,798,035</b>
<b>Shareholders' Equity</b>		
Common stock, no par value, unlimited authorized shares, 17,875,547 and 16,230,733 shares issued and outstanding at September 30, 2016 and December 31, 2015, respectively	19,904,591	17,658,042
Accumulated deficit	(3,474,151)	(1,951,564)
Accumulated other comprehensive income	4,125	68,644
<b>Total shareholders' equity</b>	<b>16,434,565</b>	<b>15,775,122</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 22,825,839</b>	<b>\$ 23,573,157</b>

Approved on behalf of the Board:

"George Glasier"  
Director

"Michael Skutezky"  
Director

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

**WESTERN URANIUM CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND OTHER COMPREHENSIVE LOSS**  
(Stated in \$USD)  
(unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2016	2015	2016	2015
<b>Expenses</b>				
Mining expenditures	\$ 119,711	\$ 210,688	\$ 331,798	\$ 301,388
Professional fees	200,734	123,763	526,826	324,529
General and administrative	103,412	51,591	277,515	169,812
Consulting fees	95,179	49,420	252,048	125,158
Unrealized foreign exchange gain	-	-	(128,000)	-
<b>Loss from operations</b>	<u>(519,036)</u>	<u>(435,462)</u>	<u>(1,260,187)</u>	<u>(920,887)</u>
Accretion and interest expense	<u>25,135</u>	<u>23,512</u>	<u>262,400</u>	<u>68,588</u>
<b>Net loss</b>	(544,171)	(458,974)	(1,522,587)	(989,475)
<b>Other comprehensive loss</b>				
Foreign exchange (loss) gain	<u>(10,735)</u>	<u>18,447</u>	<u>(64,519)</u>	<u>16,450</u>
<b>Comprehensive Loss</b>	<u>\$ (554,906)</u>	<u>\$ (440,527)</u>	<u>\$ (1,587,106)</u>	<u>\$ (973,025)</u>
<b>Loss per share - basic and diluted</b>	<u>\$ (0.03)</u>	<u>\$ (0.04)</u>	<u>\$ (0.09)</u>	<u>\$ (0.08)</u>
<b>Weighted average shares outstanding, basic and diluted</b>	<u>17,301,151</u>	<u>12,720,697</u>	<u>16,752,130</u>	<u>12,187,646</u>

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

**WESTERN URANIUM CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
**(Stated in \$USD)**  
**(unaudited)**

	Common Shares		Accumulated Deficit	Accumulated Comprehensive Other Income	Total
	Shares	Amount			
<b>Balance at January 1, 2016</b>	16,230,733	\$ 17,658,042	\$ (1,951,564)	\$ 68,644	\$ 15,775,122
Issuance of 101,009 shares of common stock	101,009	216,534	-	-	216,534
Issuance of 465,347 shares of common stock	465,347	622,174	-	-	622,174
Issuance of 1,078,458 shares of common stock, net of costs	1,078,458	1,407,841	-	-	1,407,841
Foreign exchange loss	-	-	-	(64,519)	(64,519)
Net loss	-	-	(1,522,587)	-	(1,522,587)
<b>Balance at September 30, 2016</b>	<u>17,875,547</u>	<u>\$ 19,904,591</u>	<u>\$ (3,474,151)</u>	<u>\$ 4,125</u>	<u>\$ 16,434,565</u>

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

**WESTERN URANIUM CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Stated in \$USD)  
(unaudited)

	For the Nine Months Ended September 30,	
	2016	2015
<b>Cash Flows From Operating Activities:</b>		
Net loss	\$ (1,522,587)	\$ (989,475)
<b>Reconciliation of net loss to cash used in operating activities:</b>		
Accretion of reclamation liability	183,510	27,700
Amortization of debt discount on notes payable	59,013	27,320
Change in foreign exchange on marketable securities	(159)	-
Change in operating assets and liabilities:		
Accounts receivable	-	13,866
Prepaid expenses and other current assets	(43,134)	(31,957)
Restricted cash	-	(190)
Deferred contingent consideration	(128,000)	-
Accounts payable and accrued liabilities	(32,176)	81,700
Net cash used in operating activities	(1,483,533)	(871,036)
<b>Cash Flows From Investing Activities:</b>		
Purchase of property and equipment	-	(21,810)
Acquisition of Black Range - cash acquired	-	4,190
Advance on Credit Facility to Black Range	-	(363,074)
Net cash used in investing activities	-	(380,694)
<b>Cash Flows From Financing Activities:</b>		
Payment of Nueco Note	(90,000)	(253,346)
Payment of Siebels Note	(250,000)	-
Proceeds from the sale of common stock in private placements, net of offering costs	2,048,251	1,353,793
Proceeds from Siebels Note	100,000	-
Net cash provided by financing activities	1,808,251	1,100,447
Effect of foreign exchange rate on cash	(64,519)	16,450
Net increase (decrease) in cash	260,199	(134,833)
Cash - beginning	214,482	172,909
Cash - ending	\$ 474,681	\$ 38,076
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	\$ 31,477	\$ 15,000
Non-cash financing activities:		
Shares issued from subscription payable	\$ 198,298	\$ -
Exchange of mortgage payable for land & buildings	\$ 1,051,000	\$ -

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

**WESTERN URANIUM CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Stated in \$USD)**  
**Unaudited**

**NOTE 1 - BUSINESS**

*Nature of operations*

Western Uranium Corporation ("Western" or the "Company") was incorporated in December 2006 under the Ontario Business Corporations Act. On November 20, 2014, the Company completed a listing process on the Canadian Securities Exchange ("CSE"). As part of that process, the Company acquired 100% of the members' interests of Pinon Ridge Mining LLC ("PRM"), a Delaware limited liability company. The transaction constituted a reverse takeover ("RTO") of Western by PRM. Subsequent to obtaining appropriate shareholder approvals, the Company reconstituted its Board of Directors and senior management team. Effective September 16, 2015, Western completed its acquisition of Black Range Minerals Limited ("Black Range").

The Company has registered offices at 10 King Street East, Suite 700, Toronto, Ontario, Canada, M5C 1C3 and its common shares are listed on the CSE under the symbol "WUC." On April 22, 2016, the Company's shares of common stock began trading on the OTC Pink, and on May 23, 2016, the Company's common stock was approved for the commencement of trading on the OTCQX Best Market. Its principal business activity is the acquisition and development of uranium resource properties in the states of Utah and Colorado in the United States of America.

On June 28, 2016, the Company's registration statement became effective and Western became a U.S. reporting issuer. Thereafter, the Company was approved for Depository Trust Company eligibility through the Depository Trust and Clearing Corporation, which facilitates electronic book-entry delivery, settlement and depository services for shares in the United States.

**NOTE 2 – LIQUIDITY AND GOING CONCERN**

The Company has incurred continuing losses from its operations and as of September 30, 2016 the Company has an accumulated deficit of \$3,474,151 and a working capital deficit of \$804,391.

Since inception, the Company has met its liquidity requirements principally through the issuance of notes and the sale of its shares of common stock.

The Company's ability to continue its operations and to pay its obligations when they become due is contingent upon the Company obtaining additional financing. Management's plans include seeking to procure additional funds through debt and equity financings and to initiate the processing of ore to generate operating cash flows.

There are no assurances that the Company will be able to raise capital on terms acceptable to the Company or at all, or that cash flows generated from its operations will be sufficient to meet its current operating costs and required debt service. If the Company is unable to obtain sufficient amounts of additional capital, it may be required to reduce the scope of its planned product development, which could harm its financial condition and operating results, or it may not be able to continue to fund its ongoing operations. These conditions raise substantial doubt about the Company's ability to continue as a going concern. These condensed consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties.

Pursuant to the Company's capital raising objectives, during April and May 2016 the Company raised CAD \$791,090 (USD \$622,174) in a private placement (*see Note 10*).

On September 2, 2016 the Company completed a private placement and issued 1,078,458 units at CAD \$1.70 (USD \$1.32) per unit for total gross proceeds of USD \$1,423,618. Each unit consists of one common share of the Company and one warrant at an exercise price of CAD \$2.80 which expires five years after the date of issuance. The Company intends to use the net proceeds from this capital raise to pay the costs of the acquisition of Black Range, to fund the development of the Company's ablation technology, to fund mine production preparation, to pay down certain of the Company's notes payable, and for working capital purposes (*see Note 10*).

**WESTERN URANIUM CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Stated in \$USD)**  
**Unaudited**

**NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Presentation and Principles of Consolidation***

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”) for interim financial information and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal accruals) considered for a fair presentation have been included. Operating results for the three and nine months ended September 30, 2016 are not necessarily indicative of the results that may be expected for the year ending December 31, 2016. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2015 and related notes thereto which were included in the Company’s form 10-12G filed with the Securities and Exchange Commission on July 22, 2016.

The accompanying unaudited condensed consolidated financial statements include the accounts of Western and its wholly-owned subsidiaries, Western Uranium Corp., Pinon Ridge Mining LLC, Black Range Minerals Limited, Black Range Copper Inc., Ranger Resources Inc., Black Range Minerals Inc., Black Range Minerals Colorado LLC, Black Range Minerals Wyoming LLC, Haggerty Resources LLC, Ranger Alaska LLC, Black Range Minerals Utah LLC, Black Range Minerals Ablation Holdings Inc. and Black Range Development Utah LLC. All significant inter-company transactions and balances have been eliminated upon consolidation.

***Use of Estimates***

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and revenues and expenses during the period reported. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant. Significant areas requiring management's estimates and assumptions include determining the fair value of transactions involving shares of common stock, assessment of the useful life and evaluation for impairment of intangible assets, valuation and impairment assessments on mineral properties, deferred contingent consideration, the reclamation liability, valuation of stock-based compensation, valuation of available-for-sale securities and valuation of long-term debt and asset retirement obligations. Other areas requiring estimates include allocations of expenditures, depletion and amortization of mineral rights and properties. Actual results could differ from those estimates.

***Foreign Currency Translation***

The reporting currency of the Company, including its subsidiaries, is the United States dollar. The financial statements of subsidiaries located outside of the U.S. are measured in their functional currency, which is the local currency. The functional currency of the parent is the Canadian dollar. Monetary assets and liabilities of these subsidiaries are translated at the exchange rates at the balance sheet date. Income and expense items are translated using average monthly exchange rates. Non-monetary assets are translated at their historical exchange rates. Translation adjustments are included in accumulated other comprehensive loss in the condensed consolidated balance sheets.



**WESTERN URANIUM CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

*Fair Values of Financial Instruments*

The fair value of financial instruments in the Company’s consolidated financial statements at September 30, 2016 and December 31, 2015 are as follows:

	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Quoted Prices for Similar Assets or Liabilities in Active Markets (Level 2)	Significant Unobservable Inputs (Level 3)
Marketable securities at September 30, 2016	\$ 3,039	\$ -	\$ -
Marketable securities at December 31, 2015	\$ 2,880	\$ -	\$ -

*Loss per Share*

Basic net loss per share is computed by dividing net loss by the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share is computed using the weighted average number of common shares and, if dilutive, potential common shares outstanding during the period. Potential common shares consist of the incremental common shares issuable upon the exercise of stock options and warrants (using the treasury stock method). The computation of basic loss per share for the three and nine month periods ended September 30, 2016 and 2015 excludes potentially dilutive securities. The computations of net loss per share for each period presented is the same for both basic and fully diluted.

Potentially dilutive securities outlined in the table below have been excluded from the computation of diluted net loss per share because the effect of their inclusion would have been anti-dilutive.

	For the Three and Nine Months Ended September 30,	
	2016	2015
Warrants to purchase shares of common stock	1,644,814	-
Options to purchase shares of common stock	271,996	271,996
Total potentially dilutive securities	1,916,810	271,996

**NOTE 4 – RECENT ACCOUNTING PRONOUNCEMENTS**

On February 25, 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-02, Leases (Topic 842). This update will require organizations that lease assets to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases. The new guidance will also require additional disclosures about the amount, timing and uncertainty of cash flows arising from leases. The provisions of this update are effective for annual and interim periods beginning after December 15, 2018. The Company is currently evaluating the impact the adoption of this ASU will have on the Company’s financial position and results of operations.

On March 30, 2016, the FASB issued ASU No. 2016-09, “Compensation – Stock Compensation (Topic 718)”. This update requires that all excess tax benefits and tax deficiencies arising from share-based payment awards should be recognized as income tax expense or benefit on the income statement. The amendment also states that excess tax benefits should be classified along with other income tax cash flows as an operating activity. In addition, an entity can make an entity-wide accounting policy election to either estimate the number of awards expected to vest or account for forfeitures as they occur. The provisions of this update are effective for annual and interim periods beginning after December 15, 2016. The Company is currently evaluating the impact the adoption of this standard will have on its financial statements.

**WESTERN URANIUM CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 4 – RECENT ACCOUNTING PRONOUNCEMENTS, CONTINUED**

In April 2016, the FASB issued ASU No. 2016-10 “Revenue from Contracts with Customers (Topic 606)”, “Identifying Performance Obligations and Licensing” (“ASU 2016-10”). ASU 2016-10 clarifies the following two aspects of Topic 606: identifying performance obligations and the licensing implementation guidance, while retaining the related principles for those areas. The provisions of this update are effective for annual and interim periods beginning after December 15, 2017, with early application permitted. The Company is currently evaluating the impact the adoption of this standard will have on its consolidated financial statements.

In May 2016, the FASB issued ASU No. 2016-12 “Revenue from Contracts with Customers (Topic 606)”, “Narrow-Scope Improvements and Practical Expedients” (“ASU 2016-12”). The core principal of ASU 2016-12 is the recognition of revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The provisions of this update are effective for annual and interim periods beginning after December 15, 2017, with early application permitted. The Company is currently evaluating the impact the adoption of this standard will have on its consolidated financial statements.

In June 2016 the FASB issued ASU No.2016-13 “Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments”. ASU No. 2016-13 changes the impairment model for most financial assets. The new model uses a forward-looking expected loss method, which will generally result in earlier recognition of allowances for losses. ASU 2016-13 is effective for annual and interim periods beginning after December 15, 2019 and early adoption is permitted for annual and interim period beginning after December 15, 2018. The Company is currently evaluating the impact that the adoption of this standard will have on its consolidated financial statements.

In August 2016 the FASB issued ASU No. 2016-15 “Statement of Cash Flows (Topic 230) – Classification of Certain Cash Receipts and Cash Payments”. ASU No. 2016-15 clarifies diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash. The update to the standard is effective for the Company beginning January 1, 2018, with early application permitted. The Company is currently evaluating the effect the guidance will have on its consolidated financial statements.

In October 2016 the FASB issued ASU No, 2016-16 “Income Taxes (Topic 740) – Intra-Entity Transfers of Assets other than Inventory”. ASU No. 2016-16 modifies the current exception to income tax accounting that required companies to defer the income tax effect of certain intercompany transactions. ASU No. 2016-16 only allows companies to defer the income tax effect of intercompany inventory transactions under an exception to the guidance on income taxes that currently applies to intercompany sales and transfers of all assets. The update to the standard is effective for the Company beginning January 1, 2018, with early application permitted as of the beginning of an annual period. The Company is currently evaluating the effect the guidance will have on its consolidated financial statements.

In October 2016 the FASB issued ASU No. 2016-17 “Consolidation (Topic 810) – Interests Held through Related Parties that are under Common Control”. ASU No. 2016-17 changes the evaluation of whether a reporting entity is the primary beneficiary of a variable interest entity (“VIE”) and how a reporting entity that is a single decision maker of a VIE treats indirect interests in the entity held through related parties that are under common control with the reporting entity. The update to the standard is effective for the Company beginning January 1, 2017, with early application permitted. The Company is currently evaluating the effect the guidance will have on its consolidated financial statements.

**WESTERN URANIUM CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Stated in \$USD)**  
**Unaudited**

**NOTE 5 - MINERAL ASSETS, ABLATION INTELLECTUAL PROPERTY AND OTHER PROPERTY**

On August 18, 2014, the Company purchased mining assets in an arm's length transaction. The mining assets include both owned and leased land in the states of Utah and Colorado. All of the mining assets represent properties which have previously been mined to different degrees for uranium. As the Company has not formally established proven or probable reserves on any of its properties, there is greater inherent uncertainty as to whether or not any mineralized material can be economically extracted as originally planned and anticipated.

The Company's mining properties acquired on August 18, 2014, include: San Rafael Uranium Project located in Emery County, Utah; The Sunday Mine Complex located in western San Miguel County, Colorado; The Van 4 Mine located in western Montrose County, Colorado; The Yellow Cat Project located in eastern Grand County, Utah; The Farmer Girl Mine project located in Montrose County, Colorado; The Sage Mine project located in San Juan County, Utah, and San Miguel County, Colorado.

On September 16, 2015, Western completed its acquisition of Black Range. In connection with the acquisition of Black Range, Western acquired the net assets of Black Range. These net assets consist principally of interests in a complex of uranium mines located in Colorado (the "Hansen-Taylor Complex") and a 100% interest in a 25 year license for ablation mining technologies and related patents from Ablation Technologies, LLC. The Hansen-Taylor Complex is principally a sandstone-hosted deposit that was discovered in 1977. Ablation is a low cost, purely physical method of sorting uranium ore by applying a grain-size separation process to ore slurries.

During the third quarter of 2016, the Company began to reduce the number of mines it owns that do not meet the Company's economic requirements for its mining assets. In September 2016, the Company elected not to renew the leases of two mines that were obtained through the acquisition of Black Range. The decision to not renew these two leases was based upon a number of factors, the most significant of which were the location of the mines and the amounts of Vanadium and Uranium within these mines. The forfeiture of these leases has no material adverse impact on the fair value of the Company's mining assets.

The Company's mining and mining related assets consist of the following:

	As of:	
	September 30, 2016	December 31, 2015
Land, building and improvements	\$ -	\$ 1,050,810
Mineral properties	\$ 11,645,218	\$ 11,645,218
Ablation intellectual property	\$ 9,488,051	\$ 9,488,051

On May 26, 2016, the Company executed agreements with the mortgage holder whereby in an equal exchange the mortgage was exchanged for the land, building and improvements with which it was secured (*see Note 8*).

On June 1, 2016, Black Range entered into an agreement with Ferris-Haggarty Mining Corporation to transfer all available data, information, materials, reports, assay analysis, or other regarding the Ferris-Haggarty Copper Project in Carbon County, WY from 2006 through 2009. In exchange Black Range Minerals Inc. received 100,000 Common Class A Voting shares of Ferris-Haggarty Mining Corporation. The transaction is deemed to lack commercial substance because neither the fair value of the data relinquished nor the fair value of the shares are determinable within reasonable limits, given that there is no market for the data and that the Company does not have enough information to reliably determine a value for the shares. Since the exchange of data for shares of Ferris-Haggarty lacks commercial substance, the value of the exchange will be based on the recorded value of the asset relinquished (the data), which is \$0.

**WESTERN URANIUM CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(Stated in \$USD)  
**Unaudited**

**NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	As of September 30, 2016	As of December 31, 2015
Trade accounts payable	\$ 574,844	\$ 520,530
Accrued liabilities	218,271	304,571
Total accounts payable and accrued liabilities	<u>\$ 793,115</u>	<u>\$ 825,101</u>

**NOTE 7 - NOTES PAYABLE**

***EFHC Note***

On August 18, 2014, in connection with the purchase of the mining properties, the Company entered into a note payable with Energy Fuels Holding Corporation (“EFHC”) (the “EFHC Note”) for \$500,000. The EFHC Note bears interest at a rate of 3.0% per annum and is secured by a first priority interest in certain of the Company’s mining assets. On the date of the purchase, the Company recorded the EFHC Note net of a discount for interest of \$73,971 at a rate of 4% per annum, resulting in a total effective interest rate of 7% per annum. The discount is being amortized using the effective interest method over the life of the loan. All principal on the EFHC Note is due and payable on August 18, 2018 and interest on the EFHC Note is due and payable annually beginning August 18, 2015.

***Nueco Note***

On August 18, 2014, also in connection with the purchase of the mining properties, the Company entered into a Note Assumption Agreement with EFHC and Nuclear Energy Corporation (“Nueco”), whereby the Company assumed all of the obligations of EFHC under its note payable with Nueco (the “Nueco Note”). The Nueco Note bears no stated interest rate and is secured by certain of the Company’s mining assets. On the date of the purchase, the Company recorded the Nueco Note net of a discount for interest of \$23,724 at a rate of 7% per annum. The discount is being amortized using the effective interest method over the life of the loan. The Nueco payment due on December 20, 2014 in the amount of \$250,180 was made on January 5, 2015 without penalty other than additional interest at 6% per annum. As of December 31, 2015, the Nueco Note had a remaining obligation outstanding of \$250,180, the due date of which was extended to January 13, 2016. In connection with the extension, the Company agreed to add interest from the date of October 13, 2015 until the date paid at the annual rate of one percent (1%) per annum.

On February 8, 2016, the Company and the lender agreed to further extend the maturity of the Nueco Note to June 2016. In consideration for the extension the Company increased the principal amount by 10% (or \$25,384), increased the interest rate to 6% per annum and paid a \$5,000 fee that did not reduce the interest or principal. On June 20, 2016, the Company further extended the maturity of the Nueco Note to July 31, 2016. In consideration for the extension, the Company paid a \$5,000 fee that did not reduce the interest or principal on the Nueco Note.

On August 8, 2016, accrued interest was paid in the amount of \$13,477. On August 16, 2016, the Company further extended the maturity of the Nueco Note to November 16, 2016. In consideration for the extension, the Company paid a fee of \$10,000 which did not reduce the interest or principal on the Nueco Note. Further, a principal payment of \$90,000 was made on August 23, 2016, which reduced the outstanding principal amount to \$189,220. The August 16, 2016 extension was accounted for as a modification, and as such, the extension fees were accounted for as additional debt discount and were amortized over the remaining extended term of the note. The maturity payment was not made on November 16, 2016, and thus, as of November 17, 2016, the Nueco Note was, and remains, in default.

**WESTERN URANIUM CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Stated in \$USD)**  
**Unaudited**

**NOTE 7 - NOTES PAYABLE, CONTINUED**

*Siebels Note*

On September 30, 2015 the Company entered into a note payable (“Siebels Note”) with The Siebels Hard Asset Fund, Ltd. (“Siebels”) for \$250,000, which was fully funded on October 14, 2015. The Siebels Note bears interest at a rate of 16.0% per annum and was to mature on December 15, 2015. On December 16, 2015 the Company and the lender agreed to extend the maturity of the Siebels Note until June 16, 2016. In consideration for the extension of the repayment, the accrued interest at the time of extension of \$8,333 was reclassified to principal, bringing the principal of the Siebels Note to \$258,423. Also in consideration for such extension the interest rate was increased to 18% per annum. The Company did not repay the note upon its maturity on June 16, 2016. On July 29, 2016, a partial principal payment in the amount of \$100,000 was made and on September 9, 2016, a partial principal payment in the amount of \$50,000 was made. After the remittance of the aforementioned principal payments, the balance remaining outstanding as of November 11, 2016 was \$108,423. As such, the Siebels Note was in default as of June 2016 and remains in default. Siebels has not made a formal demand for repayment and has verbally agreed to work with the Company to arrange for alternative repayment terms acceptable to both parties.

On February 22, 2016, the Company entered into a second note payable with Siebels for \$100,000. The note bore interest at a rate of 18.0% per annum and matured on April 22, 2016. On April 28, 2016, the Company repaid this note in full.

Notes payable consisted of:

	As of September 30, 2016				
	Principal	Discount	Balance, Net of Discount	Current	Non-Current
EFHC	\$ 500,000	\$ 36,323	\$ 463,677	\$ -	\$ 463,677
Nueco	189,220	5,099	184,121	184,121	-
Siebels	111,392	-	111,392	111,392	-
Total	\$ 800,612	\$ 41,422	\$ 759,190	\$ 295,513	\$ 463,677

During the three months ended September 30, 2016 and 2015, the Company’s interest expense on notes payable was \$29,666, and \$23,512, respectively, including the amortization of debt discounts. Interest expense on notes payable for the nine months ended September 30, 2016 and 2015 was \$112,046 and \$68,588, respectively.

	As of December 31, 2015				
	Principal	Discount	Balance, Net of Discount	Current	Non-Current
EFHC	\$ 500,000	\$ 50,016	\$ 449,984	\$ -	\$ 449,984
Nueco	250,180	-	250,180	250,180	-
Siebels	240,013	-	240,013	240,013	-
Total	\$ 990,193	\$ 50,016	\$ 940,177	\$ 490,193	\$ 449,984

**NOTE 8 - MORTGAGE**

In connection with the acquisition of Black Range, Western assumed a mortgage secured by land, building and improvements at 1450 North 7 Mile Road, Casper, Wyoming, with interest payable at 8.00% and payable in monthly payments of \$11,085 with the final balance of \$1,044,015 due as a balloon payment on January 16, 2016. The Company did not make the final balloon payment as scheduled. On May 26, 2016, the Company executed agreements with the mortgage holder whereby in an equal exchange the mortgage was exchanged for the land, building and improvements with which it was secured, and pursuant to which no future financial consideration is required.

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**NOTE 9 - RECLAMATION LIABILITY**

The reclamation liabilities of the US mines are subject to legal and regulatory requirements, and estimates of the costs of reclamation are reviewed periodically by the applicable regulatory authorities. The reclamation liability represents the Company's best estimate of the present value of future reclamation costs in connection with the mineral properties. The Company determined the gross reclamation liabilities at September 30, 2016 and December 31, 2015 of the mineral properties to be approximately \$1,036,286 and \$1,036,286, respectively. During the three months ended September 30, 2016 and 2015, the accretion of the reclamation liabilities was \$3,096 and \$2,066, respectively. During the nine months ended September 30, 2016 and 2015, the accretion of the reclamation liabilities was \$183,510 and \$27,700, respectively. Except in regard to its Alaska coal mine property (as discussed below), The Company expects to begin incurring the reclamation liability after 2054 and accordingly, has discounted the gross liabilities over a thirty year life using a discount rate of 5.4% to a net discounted value as of September 30, 2016 and December 31, 2015 of \$403,639 and \$220,129, respectively. The gross reclamation liabilities as of September 30, 2016 are secured by certificates of deposit in the amount of \$1,036,333. During the second quarter of 2016, the Company initiated actions to cancel its coal mining leases in Alaska. In connection therewith, the Company notified the state of Alaska of its intent to forfeit the posted bond in satisfaction of the reclamation liabilities at the site. In response to the Company's notification, the Company received notification that the state of Alaska was initiating forfeiture of the Company's performance bond for reclamation. However, the notice indicated an additional surety bond of \$150,000 in excess of the \$210,500 cash bond which had been posted by the Company upon purchase of the property. The Company and its advisors do not believe that it is obligated for this additional amount of claimed reclamation obligation. The Company is working with its legal counsel and the State of Alaska to resolve this matter. The Company has not recorded an additional \$150,000 obligation as the Company does not expect, based on the advice of legal counsel, to be obligated to an amount greater than that presently reflected in the reclamation liability. During the nine months ended September 30, 2016, the Company adjusted the fair value of its reclamation obligation and for the Alaska mine, accreted \$174,412 to bring its reclamation liability to face value. The portion of the reclamation liability related to the Alaska mine, and its related restricted cash are included in current liabilities, and current assets, respectively, at a value of \$215,976.

**NOTE 10 - SHARE CAPITAL AND OTHER EQUITY INSTRUMENTS**

*Private Placements*

On January 4, 2016, the Company completed a private placement raising gross proceeds of CAD \$300,000 through the subscription for 101,009 common shares at a price of CAD \$2.97 (USD \$2.14) per common share, and warrants to purchase aggregate of 101,009 common shares at an exercise price of CAD \$3.50. This offering closed on December 31, 2015. Of the total amount received, CAD \$275,000 (USD \$198,298) was received in December of 2015 while the remainder CAD \$25,000 (USD \$18,236) was received in the three months ended March 31, 2016. The warrants are exercisable immediately upon issuance and expire five years from the date of issuance. As of December 31, 2015, the Company accounted for the proceeds of \$198,298 as subscriptions payable.

During April 2016, the Company initiated a private placement offering for the sale of units of its securities for a price per unit of CAD \$1.70 (USD \$1.34). Each unit consists of one share of the Company's common stock and one warrant to purchase a share of common stock at CAD \$2.60 per share, with a term of five years. During April and May 2016 the Company raised gross proceeds of CAD \$791,090 (USD \$622,174) through the issuance of 465,347 units.

On September 2, 2016 the Company completed a private placement issuing 1,078,458 units at CAD \$1.70 (USD \$1.32) per unit for total gross proceeds of USD \$1,423,618 and net proceeds of USD \$1,407,841. Each unit consists of one common share of the Company and one warrant at an exercise price of CAD \$2.80 which expire five years after the date of issuance. The Company used this capital raise to pay the costs of the acquisition of Black Range, to fund the development of the Company's ablation technology, to fund mine production preparation and for working capital purposes.

During the nine months ended September 30, 2016, the Company issued 1,644,814 shares of common stock in connection with these private placements.

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**NOTE 10 - SHARE CAPITAL AND OTHER EQUITY INSTRUMENTS, CONTINUED**

*Incentive Stock Option Plan*

The Company maintains an Incentive Stock Option Plan (the “Plan”) that permits the granting of stock options as incentive compensation. Shareholders of the Company approved the Plan on June 30, 2008 and amendments to the Plan on June 20, 2013, and the Board of Directors approved additional changes to the Plan on September 12, 2015.

The purpose of the Plan is to attract, retain and motivate directors, management, staff and consultants by providing them with the opportunity, through stock options, to acquire a proprietary interest in the Company and benefit from its growth.

At both September 30, 2016 and December 31, 2015, a total of 271,996 stock options issued under the Plan were outstanding. All of those options were issued in connection with the Company’s acquisition of Black Range Minerals Limited (“Black Range”) to replace options previously issued by Black Range to its former offers and directors.

The Plan provides that the aggregate number of common shares for which stock options may be granted will not exceed 10% of the issued and outstanding common shares at the time stock options are granted. At December 31, 2015, a total of 16,230,733 common shares were outstanding, and at that date the maximum number of stock options eligible for issue under the Plan was 1,623,073 (10% of the issued and outstanding common shares). At September 30, 2016, a total of 16,797,089 common shares were outstanding, and at that date the maximum number of stock options eligible for issue under the Plan was 1,679,708.

*Stock Options Granted*

In connection with the acquisition of Black Range, the Board of Directors granted options for the purchase of 271,996 shares of the Company’s common stock to certain of the former directors, employees and consultants of Black Range. On the date of grant, these options were fully vested, had a weighted average exercise price of CAD \$6.39 (USD \$4.91) and a weighted average remaining contractual life of 3.52 years and had a grant date fair value of \$1.59 per share. As of September 30, 2016, these stock options had a remaining contractual life of 2.77 years and had no intrinsic value. These stock options became exercisable on January 17, 2016. Subsequent to the period end the Company issued additional options under the Company’s Incentive Stock Option Plan (See Note 13 – *Subsequent Events*).

*Warrants*

As of September 30, 2016, there were warrants outstanding to purchase an aggregate of 1,644,814 shares of the Company’s common stock at an exercise price of CAD \$2.79 (USD \$2.12) per share. These warrants have a weighted average remaining life of 4.78 years and were fully exercisable on date of grant.

**NOTE 11 - MINING EXPENDITURES**

	For the Three Months Ended		For the Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
Permits	\$ 72,362	\$ 36,061	\$ 188,736	\$ 102,396
Maintenance and Contract Labor	38,299	174,627	126,512	198,992
Royalties	9,050	-	16,550	-
Total mining expenditures	<u>\$ 119,711</u>	<u>\$ 210,688</u>	<u>\$ 331,798</u>	<u>\$ 301,388</u>

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**NOTE 12 - RELATED PARTY TRANSACTIONS (INCLUDING KEY MANAGEMENT COMPENSATION)**

The Company has transacted with related parties pursuant to service arrangements in the ordinary course of business, as follows:

An entity controlled by a member of the Board of Directors earned consulting fees totaling \$9,117 and \$22,680 for the three months ended September 30, 2016 and 2015, respectively and \$27,350 and \$50,037 for the nine months ended September 30, 2016 and 2015, respectively. The same director earned director fees totaling \$1,519 and \$1,489 during the three months ended September 30, 2016 and 2015, respectively, and \$3,093 and \$7,747 for the nine months ended September 30, 2016 and 2015, respectively. As of September 30, 2016 and December 31, 2015, the Company has \$1,519 and \$0, respectively, in accounts payable and accrued liabilities owing to this director.

Pursuant to a consulting agreement, a US limited liability company owned by a person who is a director and until October 19, 2016, was the Company's CFO, entered into a contract with the Company effective January 1, 2015 ("January 2015 Agreement") to provide financial and consulting services at an annual consultant fee of \$100,000. The contract had a term of one year. On October 21, 2015, the Company entered into an additional agreement with this same company to provide additional services to the Company, for the term of October through December 2015 for a monthly fee of \$6,500. On January 1, 2016, the Company entered into an agreement with a different US limited liability company owned by the same director ("January 2016 Agreement") to provide financial and other consulting services at \$8,333 per month. During the three months ended September 30, 2016 and 2015, the Company incurred fees of \$25,000 and \$25,000, respectively, to these companies. During the nine months ended September 30, 2016 and 2015, the Company incurred fees of \$75,000 and \$75,000, respectively, to these companies. At September 30, 2016 and December 31, 2015, the Company had \$8,333 and \$6,500, respectively, included in accounts payable and accrued liabilities payable to these companies. (See Note 13 – Subsequent Events).

In connection with the acquisition of Black Range on September 16, 2015, Western assumed an obligation in the amount of AUS \$500,000 payable to Western's CEO and director contingent upon the commercialization of the ablation technology. As at September 30, 2016, the obligation of \$372,000 is included in the condensed consolidated balance sheet. During the three and nine months ended September 30, 2016, the Company recorded a gain of \$0 and \$128,000 respectively, on the translation of the obligation and such gain, was reflected within the "unrealized foreign exchange gain" in the statement of operations and comprehensive loss.

Pursuant to a consulting agreement, a US limited liability company owned by a person who is a director entered into a consulting contract with the Company effective April 1, 2016 to provide financial, advisory, and consulting services, including representing the Company to a variety of stakeholders for a six month term ending on September 30, 2016. Professional fees for the three and nine months ended September 30, 2016 were \$45,000 and \$75,000, respectively, related to this agreement.

As of September 30, 2016 and December 31, 2015, the Company had \$0 and \$0, respectively, included in accounts payable and accrued expenses payable to this entity.



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**NOTE 13 - SUBSEQUENT EVENTS**

*Stock Options Grants*

On October 4, 2016, the Company granted an aggregate of 1,075,000 options for the purchase of common shares to ten officers, consultants, directors and employees of the Company under the Company's Incentive Stock Option Plan. The options shall have an exercise price of CAD \$2.50 vesting equally commencing initially on the effective date of grant of October 4, 2016 and thereafter on October 31, 2016, and March 31, 2017 with a five-year term from the date of vesting.

*Consulting Agreement*

Pursuant to a consulting agreement, the January 2016 Agreement was cancelled and a new agreement was entered into between the Company, a US limited liability company owned by the same director as the January 2016 Agreement and Robert Klein ("October 2016 Agreement") to provide financial operating services and to have Mr. Klein serve as the Chief Financial Officer. The term of the October 2016 Agreement runs through July 31, 2017 and has an annual fee of \$162,000 payable monthly, starting on October 1, 2016.