WESTERN LITHIUM USA CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

(Expressed in US Dollars)

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Independent Auditors' Report

To the Shareholders of
Western Lithium USA Corporation

We have audited the accompanying consolidated financial statements of Western Lithium USA Corporation and its subsidiaries, which comprise the consolidated statements of financial position as at September 30, 2014 and September 30, 2013, and the consolidated statements of comprehensive (loss)/income, changes in equity 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 International Financial Reporting Standards, 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.

Auditors' 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 auditors' 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 auditors consider 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 subsidiaries as at September 30, 2014 and September 30, 2013 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

"Crowe MacKay LLP"

Chartered Accountants
Vancouver, British Columbia
December 18, 2014

WESTERN LITHIUM USA CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in thousands of US Dollars)

	September 30, 2014 $	September 30, 2013 $
CURRENT ASSETS		
Cash	7,160	11,364
Receivables	158	16
Prepaid expenses and deposits (Note 7)	523	167
Inventories	124	-
	7,965	11,547
NON-CURRENT ASSETS		
Capital assets (Note 4)	15,933	3,711
Exploration and evaluation assets (Note 5)	456	-
Reclamation bond (Note 7)	-	310
	16,389	4,021
	24,354	15,568
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 10)	1,781	509
Current portion of long-term borrowing (Note 6)	111	105
Obligation under finance leases (Note 8)	23	-
	1,915	614
LONG-TERM LIABILITIES		
Long-term borrowing (Note 6)	1,105	1,216
Obligation under finance leases (Note 8)	81	-
Decommissioning provision (Note 7)	170	170
	1,356	1,386
SHARE CAPITAL	53,036	45,085
CONTRIBUTED SURPLUS	9,176	8,004
ACCUMULATED OTHER COMPREHENSIVE LOSS	(337)	(29)
DEFICIT	(40,792)	(39,492)
	21,083	13,568
	24,354	15,568

Approved for issuance on December 17, 2014

On behalf of the Board of Directors:

"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 COMPREHENSIVE (LOSS)/INCOME
(Expressed in thousands of US Dollars, except per share amounts and shares in thousands)

	For the years ended September 30,	
	2014	**2013**
	$	**$**
EXPENSES		
Exploration expenditures (Notes 10 and 11)	2,179	2,515
Organoclay research and development (Note 10)	659	117
Investor relations	184	98
Marketing	283	26
Office and administration (Note 10)	546	514
Professional fees (Note 10)	308	333
Regulatory and filing fees (Note 10)	55	34
Salaries and benefits (Notes 10)	1,048	973
Stock-based compensation (Notes 9 and 10)	1,154	225
Travel and conferences	181	150
	6,597	4,985
LOSS BEFORE OTHER ITEMS	(6,597)	(4,985)
OTHER ITEMS		
Foreign exchange gain	98	226
Gain on royalty sale (Note 5)	5,088	5,177
Other income	73	26
Interest income	38	22
	5,297	5,451
NET (LOSS)/INCOME FOR THE YEAR	(1,300)	466
OTHER COMPREHENSIVE LOSS		
Unrealized loss on translation to reporting currency	(308)	(283)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	(1,608)	183
(LOSS)/EARNINGS PER SHARE - BASIC	(0.01)	0.00
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC	108,450	101,557
(LOSS)/EARNINGS PER SHARE - DILUTED	(0.01)	0.00
WEIGHTED AVERAGE NUMBER OF COMMON SHARES AND DILUTIVE SECURITIES OUTSTANDING	108,450	101,665

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

WESTERN LITHIUM USA CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of US Dollars and shares in thousands)

	Number of Shares	Amount	Contributed surplus	Accumulated other comprehensive income/(loss)	Deficit	Shareholders' equity
		$	$	$	$	$
Authorized share capital:						
Unlimited common shares without par value						
Balance, September 30, 2012	**100,722**	**44,837**	**7,779**	**254**	**(39,958)**	**12,912**
Stock-based compensation	-	-	225	-	-	225
Shares issued for finder's fee	1,411	248	-	-	-	248
Net income and other comprehensive loss	-	-	-	(283)	466	183
Balance, September 30, 2013	**102,133**	**45,085**	**8,004**	**(29)**	**(39,492)**	**13,568**
Stock-based compensation	-	-	1,154	-	-	1,154
Shares issued on exercise of stock options (Note 9)	537	116	-	-	-	116
Fair value of options exercised	-	113	(113)	-	-	-
Shares issued for financing (Note 9)	15,870	8,459	-	-	-	8,459
Share issuance costs (Note 9)	-	(1,306)	324	-	-	(982)
Shares issued on exercise of warrants (Note 9)	695	376	-	-	-	376
Fair value of warrants exercised	-	193	(193)	-	-	-
Net loss and other comprehensive loss	-	-	-	(308)	(1,300)	(1,608)
Balance, September 30, 2014	**119,235**	**53,036**	**9,176**	**(337)**	**(40,792)**	**21,083**

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

WESTERN LITHIUM USA CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of US Dollars)

	For the years ended September 30,	
	2014	**2013**
	$	**$**
OPERATING ACTIVITIES		
Net (loss)/income for the year	(1,300)	466
Items not affecting cash:		
Gain on royalty sale (Note 5)	(5,088)	(5,177)
Stock-based compensation	1,154	225
Depreciation (Note 4)	22	9
Foreign exchange gain	(98)	(226)
Other income	(47)	-
Changes in non-cash working capital items:		
(Increase)/decrease in receivables	(142)	10
(Increase)/decrease in prepaid expenses and deposits	(198)	50
(Increase)/decrease in inventories	(40)	-
Increase/(decrease) in accounts payable and accrued liabilities	316	(1)
Net cash used in operating activities	(5,421)	(4,644)
INVESTING ACTIVITIES		
Additions to exploration and evaluation assets (Note 5)	(538)	(570)
Reclamation bond (Note 7)	310	-
Restricted cash	(150)	-
Additions to capital assets (Note 4)	(11,219)	(3,475)
Net cash used in investing activities	(11,597)	(4,045)
FINANCING ACTIVITIES		
Net proceeds from royalty sale (Note 5)	5,170	15,432
Net proceeds from financing	7,477	-
Proceeds from stock options exercise	116	-
Proceeds from warrants exercise	376	-
Finance lease repayments	(14)	-
Proceeds from long-term borrowing	-	1,339
Repayment of long-term borrowing	(105)	(18)
Net cash provided by financing activities	13,020	16,753
EFFECT OF FOREIGN EXCHANGE ON CASH	(206)	(57)
CHANGE IN CASH	(4,204)	8,007
CASH - BEGINNING OF YEAR	11,364	3,357
CASH - END OF YEAR	7,160	11,364

Supplemental disclosure with respect to cash flows (Note 13)

1. NATURE OF OPERATIONS

Western Lithium USA Corporation ("Western Lithium" or the "Company") is a Canadian based resource company focused on the development of its Kings Valley Property located in north-western Nevada. The Company was incorporated on November 27, 2007, under the Business Corporations Act of the Province of British Columbia and became a publicly traded company on the TSX Venture Exchange on July 16, 2008. Effective February 2, 2011, the Company commenced trading on the Toronto Stock Exchange ("TSX") under the symbol WLC.

The Company plans to manufacture and sell specialty organoclay products ("Hectatone™" products) to the oil and gas sector derived from its hectorite and other clays. In addition, the Company has completed a prefeasibility study to extract lithium from its clay deposit to produce lithium carbonate that is primarily intended for the lithium battery sector.

The Company's head office, principal address, and registered and records office is Suite 1100-355 Burrard Street, Vancouver, British Columbia, Canada, V6C 2G8.

To date, the Company has not generated significant revenues from operations and has relied on equity and other financings to fund operations. The Company's organoclay project is considered to be in the development stage and the Company is in the process of completing the construction of its organoclay plant. The recovery of the underlying value of the organoclay plant is dependent on the Company achieving profitable operations from the organoclay business. The underlying value of exploration and evaluation assets 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 operation. The Company considers that it has adequate resources to maintain its core operations for the next 12 months.

2. BASIS OF PREPARATION AND PRESENTATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The policies applied in the consolidated financial statements are presented in Note 3 and are based on IFRS issued and outstanding as at December 17, 2014, the date these consolidated financial statements were approved for issuance by the Board of Directors.

These consolidated financial statements are expressed in US dollars, the Company's presentation currency, and have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The accounting policies set out in Note 3 have been applied consistently to all years presented in these consolidated financial statements as if the polices have always been in effect.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these consolidated financial statements are described below.

Principles of Consolidation

The consolidated financial statements contained herein include the accounts of Western Lithium USA Corporation and its wholly-owned USA subsidiaries Western Lithium Corporation, KV Project LLC and Hectatone Inc. (formerly Kings Valley Clay Inc.). All inter-company transactions and balances have been eliminated.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant Accounting Estimates and Judgments

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical Accounting Estimates

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the determination of environmental obligations, the recoverability of capital assets and product development, the amortized cost of the long-term borrowing calculated using the effective interest rate method, and the assumptions used in the determination of the fair value of stock-based compensation.

Critical Accounting Judgments

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments, as follows:

The determination of the point in time that the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. Management determined that the Kings Valley Property has not demonstrated these characteristics. All costs with respect to maintaining and permitting the hectorite mine and costs with respect to the lithium project were expensed as exploration costs.

The determination of the point in time that an intangible asset arising from development of an internal project should be recognized. Management determined that the organoclay product development project has not met the criteria for capitalization.

Determining whether a lease arrangement is classified as finance or operating requires judgment with respect to the fair value of the leased asset, the economic life of the lease, and the discount rate.

The determination of deferred tax assets and liabilities recorded in the consolidated financial statements.

In accordance with IAS 21 “The Effects of Changes in Foreign Exchange Rates”, management determined that the functional currency of Western Lithium USA Corporation is the Canadian dollar and the functional currency of Western Lithium Corporation, KV Project LLC and Hectatone Inc. is the US dollar, as these are the currencies of the primary economic environments in which the companies operate.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign Currency Translation

Functional and Presentation Currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in US dollars. Although the Company's functional currency is Canadian dollars, the functional currency of the subsidiaries is US dollars and the group presentation currency is US dollars.

Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of comprehensive (loss)/income in the period in which they arise.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income/(loss) in the statement of comprehensive (loss)/income to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income/(loss). Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

Parent and Subsidiary Companies

The financial results and position of operations whose functional currency is different from the presentation currency are translated as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at that reporting date; and
- income and expenses are translated at the average exchange rate during the transaction period.

Exchange differences are transferred directly to the statement of comprehensive (loss)/income and are reported as a separate component of shareholders' equity titled "Accumulated other comprehensive income/(loss)". These differences are recognized in the profit or loss in the period in which the operation is disposed of.

Provisions

Provisions are recognized when the Company has a present obligation, legal or constructive, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held with banks and highly liquid short-term investments in high interest saving accounts which can be withdrawn at any time, which, in the opinion of management, is subject to an insignificant risk of changes in value.

Exploration and Evaluation Assets

Exploration expenditures are expensed as incurred until an economic feasibility study has established the presence of proven and probable reserves and development of the project has commenced, at which time exploration and development expenditures incurred on the property thereafter are capitalized.

Costs incurred relating to the acquisition and claim maintenance of mineral properties, including option payments and annual fees to maintain the property in good standing, are capitalized and deferred by property until the project to which they relate is sold, abandoned, impaired or placed into production. After recognition, the Company uses the cost model for exploration and evaluation assets.

The Company assesses its capitalized mineral property costs for indications of impairment on a regular basis and when events and circumstances indicate a risk of impairment. A property is written down or written off when the Company determines that an impairment of value has occurred or when exploration results indicate that no further work is warranted.

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, or title may be affected by undetected defects.

Capital Assets

On initial recognition, capital assets are valued at cost. Cost includes the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs. During the development and commissioning phase, pre-production expenditures, net of incidental revenue, are capitalized to the asset under construction and equipment.

Capital assets are subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses, with the exception of land which is not depreciated.

When parts of an item of capital assets have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Capital assets that are currently in use are depreciated as following:
- Computer and telephone equipment - declining balance method at the 20% annual rate;
- Motor vehicle – declining balance method at the 20% annual rate;
- Laboratory testing equipment - declining balance method at the 20% annual rate;
- Ranch irrigation system – straight-line basis over the estimated useful life of 15 years;
- Ranch east well – straight-line basis over the estimated useful life of 10 years.

The above assets are grouped under "Other" in Note 4.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

***Capital Assets** (continued)*

The assets' residual values, useful, lives and depreciation methods are reviewed and adjusted if appropriate, at each financial year end.

The gain or loss arising on the disposal of an item of capital assets is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognized in profit and loss.

Impairment of Capital Assets

Capital assets are assessed for impairment at each reporting date. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds it recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). These are typically individual mines, plants or development projects.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Leased Assets

Finance leases, which transfer to the Company substantially all the risks and rewards incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are apportioned between capital and interest. Interest charges are capitalized to asset under construction during the development and commissioning phase. The capital element reduces the balance owed to the lessor.

Inventories

Raw materials and supplies inventories are valued at the lower of cost and net realizable value. Cost includes acquisition, freight and other directly attributable costs.

Financial Instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

All of the Company's financial instruments are classified into one of two categories: loans and receivables, or other financial liabilities. All financial instruments are measured in the balance sheet at fair value initially with the exception of certain related party transactions. Subsequent measurement and changes in fair value will depend on their initial classification. Loans and receivables and other financial liabilities are measured at amortized cost.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments *(continued)*

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, restricted cash, and receivables have been designated as loans and receivables and are included in current assets due to their short term nature. Reclamation bonds are designated as loans and receivables and are included in non-current assets due to their long-term nature. The Company's other financial liabilities include accounts payable and accrued liabilities, long-term borrowing, obligations under finance leases, and decommissioning provision. Accounts payable, accrued liabilities and the current portions of long-term borrowing and obligation under finance leases that are due within twelve months from the financial statement reporting date are included in current liabilities due to their short-term nature. The remaining balances of long-term borrowing and obligation under finance leases are included in long-term liabilities due to their long-term nature.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets requiring a substantial period of time to get ready for their intended use or sale are capitalized as part of the cost of that asset.

Provisions for Close Down and Restoration and for Environmental Cleanup Costs

Close down and restoration costs include dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. Estimated close down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, based on the net present value of estimated future costs. The cost estimates are updated during the life of the operation to reflect known development, such as revisions to cost estimates and to the estimated lives of the operations, and are subject to formal reviews at regular intervals.

The initial closure provision together with changes resulting from changes in estimated cash flows or discount rates are capitalized within capital assets. These costs are then depreciated over the lives of the asset to which they relate, typically using the units of production method. The amortization or unwinding of the discount applied in establishing the net present value of provisions is charged to the statement of comprehensive (loss)/income as a financing cost. Provision is made for the estimated present value of the costs of environmental cleanup obligations outstanding at the statement of financial position date. As at September 30, 2014, the Company recorded a provision of $170 (2013 – $170) for the close down and restoration and for environmental cleanup costs.

Income Taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes *(continued)*

Deferred tax is recorded using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for the initial recognition of assets or liabilities that affect neither accounting or taxable loss, nor differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is not recorded.

Share Capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity.

Earnings/(Loss) per Share

Basic earnings/(loss) per share is computed by dividing net loss attributable to shareholders of the Company by the weighted average number of common shares outstanding during the reporting period.

The diluted loss per share calculation is based on the weighted average number of common shares outstanding during the period, plus the effects of dilutive common share equivalents. This method requires that the dilutive effect of outstanding options and warrants issued should be calculated using the treasury stock method. This method assumes that all common share equivalents have been exercised at the beginning of the period (or at the time of issuance, if later), and that the funds obtained thereby were used to purchase common shares of the Company at the average trading price of the common shares during the period, but only if dilutive.

Stock-Based Compensation

The Company grants stock options to buy common shares of the Company to directors, officers, employees and service providers. The fair value of stock options granted by the Company is treated as compensation costs in accordance with IFRS 2 - Share-based Payment. These costs are charged to the statement of comprehensive (loss)/income over the stock option vesting period.

Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. Fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. Compensation expense is recognized over the tranche's vesting period based on the number of awards expected to vest, by increasing contributed surplus. The number of awards expected to vest is reviewed at least annually with any impact being recognized immediately. Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive (loss)/income, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital. When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Product Development

Expenditure on research activities related to the obtaining of new scientific or technical knowledge is expensed as incurred. Expenditure on development activities, whereby the research results or other knowledge is applied to accomplish new or improved products or processes, is recognized as an intangible asset in the statement of financial position, provided the product or process is technically and commercially feasible and the Company has sufficient resources to complete development, and is subsequently able to use or sell the intangible asset. The carrying amount includes the directly attributable expenditure, such as the cost of materials and services, costs of employee benefits, fees to register intellectual property rights and amortization of patents and licenses. In the statement of financial position, product development will be stated at cost less accumulated amortization and any impairment losses.

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. The value attributed to the warrants is recorded as contributed surplus. If the warrants are exercised, the value attributable to the warrants is transferred to share capital.

New Accounting Standards Adopted

(i) IFRS 10, Consolidated Financial Statements, requires an entity to consolidate an investee when it has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12, Consolidation—Special Purpose Entities and parts of IAS 27, Separate Financial Statements. The adoption of IFRS 10 did not result in any change in the consolidation status of any of the Company's subsidiaries and investee.

(ii) IFRS 11, Joint Arrangements, requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities—Non-monetary Contributions by Venturers. The adoption of IFRS 11 did not have any impact on the consolidated financial statements for the current period or prior periods.

(iii) IFRS 12, Disclosure of Involvement with Other Entities, establishes disclosure requirements for interests in other entities, such as subsidiaries, joint arrangements, associates, and unconsolidated structured entities. The standard carries forward existing disclosures and also introduces significant additional disclosure that address the nature of, and risks associated with, an entity's interests in other entities. The additional disclosures are included in Note 10.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

New Accounting Standards Adopted *(continued)*

(iv) IFRS 13, Fair Value Measurement, is a comprehensive standard for fair value measurement and disclosure for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and does not always reflect a clear measurement basis or consistent disclosures. The adoption of IFRS 13 did not result in any significant changes to the Company's accounting or in the disclosure in its consolidated financial statements.

(v) IFRIC 20, Stripping Costs, sets out the accounting for overburden waste removal (stripping) costs in the production phase of a mine. Stripping activity may create two types of benefit: i) inventory produced and ii) improved access to ore. Stripping costs associated with the former should be accounted for as a current production cost in accordance with IAS 2, Inventories. The latter should be accounted for as an addition to or enhancement of an existing asset. The adoption of IFRIC 20 did not have an impact on the Company's consolidated financial statements.

(vi) There have been amendments to existing standards, including IAS 27, Separate Financial Statements, and IAS 28, Investments in Associates and Joint Ventures. The amendments to these standards did not impact the Company's consolidated financial statements.

Accounting Standards Issued but not yet Applied

(i) IFRS 9, Financial Instruments, was issued in November 2009 and addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent that they do not clearly represent a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

Requirements for financial liabilities were added to IFRS 9 in October 2010 and they largely carried forward existing requirements in IAS 39, Financial Instruments – Recognition and Measurement, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income. The standard is effective for annual periods beginning on or after January 1, 2018.

(ii) IAS 32, Financial Instruments: Presentation provides clarification on the application of offsetting rules. These amendments are effective for annual periods beginning on or after January 1, 2014.

(iii) IAS 36 – Impairment of Assets. On May 29, 2013, the IASB made amendments to the disclosure requirements of IAS 36, requiring disclosure, in certain instances, of the recoverable amount of an asset or cash generating unit, and the basis for the determination of fair value less costs of disposal, when an impairment loss is recognized or when an impairment loss is subsequently reversed. These amendments are effective for annual periods beginning on or after January 1, 2014.

4. CAPITAL ASSETS

	Land	Buildings	Equipment and machinery	Asset under construction	Other	Total
	$	$	$	$	$	$
Cost						
As at September 30, 2012	-	-	-	-	38	38
Additions	329	1,289	615	1,409	46	3,688
As at September 30, 2013	329	1,289	615	1,409	84	3,726
Additions	20	500	3,717	7,760	251	12,248
Foreign exchange	-	-	-	-	(4)	(4)
As at September 30, 2014	349	1,789	4,332	9,169	331	15,970

	Land	Buildings	Equipment and machinery	Asset under construction	Other	Total
	$	$	$	$	$	$
Accumulated depreciation						
As at September 30, 2012	-	-	-	-	6	6
Depreciation for the year	-	-	-	-	9	9
As at September 30, 2013	-	-	-	-	15	15
Depreciation for the year	-	-	-	-	22	22
As at September 30, 2014	-	-	-	-	37	37

	Land	Buildings	Equipment and machinery	Asset under construction	Other	Total
	$	$	$	$	$	$
Net book value						
As at September 30, 2013	329	1,289	615	1,409	69	3,711
As at September 30, 2014	349	1,789	4,332	9,169	294	15,933

In July 2013, the Company purchased an industrial complex in the City of Fernley for the production site for its organoclay plant, where the Company plans to produce its line of Hectatone™ specialty products for the oil and gas industry. The property was purchased for $1,575 ($320 was allocated to land and $1,255 to buildings) of which $1,339 is financed by the seller with a ten-year promissory note payable in monthly installments (Note 6). All of the interest incurred during the year ended September 30, 2014, and year ended September 30, 2013, was capitalized to land and buildings.

As at September 30, 2014, equipment and machinery includes $34 in deposits to vendors for the organoclay plant equipment and $61 in deposits to vendors for the lithium demonstration plant equipment ordered but not yet delivered to the locations of its intended use (Note 12).

5. EXPLORATION AND EVALUATION ASSETS

Kings Valley Property, Nevada, USA	Year ended September 30, 2014 $	Year Ended September 30, 2013 $
Acquisition costs		
Balance, beginning of year	-	9,267
Additions	538	740
Proceeds from royalty sale, net	(5,170)	(15,184)
Gain on royalty sale	5,088	5,177
Total exploration and evaluation assets	456	-

During the years ended September 30, 2014 and 2013, the Company received $22,000 in milestone payments from Orion Mine Finance ("Orion", formerly RK Mine Finance (Master) Fund II L.P.) according to the Royalty Purchase Agreement entered into in February 2013 and amended in September 2013. The royalty is a gross royalty on all production from the Kings Valley Property. It consists of a gross revenue royalty of 8% until the $22,000 funding has been repaid. The royalty will then be reduced to 4% for the life of the project. The Company has the option at any time to reduce the royalty to 1.75% upon payment to Orion of $22,000. The net proceeds from the royalty sale were recorded as a reduction in the acquisition costs of Kings Valley Property and the balance was recorded as gain on royalty sale.

In February 2013, the Company received the first tranche of $11,000 and agreed to pay a finder's fee in respect to the transaction equal to 6% of the proceeds raised. For the first funding tranche, the Company paid the finder's fees of $429 in cash and issued 1,411 common shares with a fair value of $248. The gross proceeds of $11,000 were recorded as reduction in the carrying value of the Kings Valley Property. Associated transaction costs of $793 were recorded as an offsetting increase to the carrying value, resulting in a gain on royalty sale of $814.

In September 2013, the Company received $5,500 from Orion. The gross proceeds of $5,500 were recorded as reduction of the carrying value of the Kings Valley Property. Associated transaction costs of $523 were recorded as an offsetting increase to the carrying value, resulting in a gain on royalty sale of $4,363.

In February 2014, the Company received $1,500 advance from Orion under the existing royalty facility. The gross proceeds of $1,500 was recorded as reduction of the carrying value of the Kings Valley Property. Associated transaction costs of $90 were recorded as an offsetting increase to the carrying value, resulting in a gain on royalty sale of $1,328.

In April 2014, the Company received the remaining $4,000 from Orion. The gross proceeds of $4,000 was recorded as reduction of the carrying value of the Kings Valley Property. Associated transaction costs of $240 were recorded as an offsetting increase to the carrying value, resulting in gain on royalty sale of $3,760.

The Company has the following commitments in respect to certain claims on the Kings Valley Property:

- Mining Option Agreement with Uravada Inc. ("Uravada") on certain mining claims for US$50 annual payment due on January 21 ($50 paid in each January of 2014, 2013 and 2012) 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 $2 per year in advance net smelter return royalty payments due on November 15th ($2 paid subsequent to September 30, 2014). The Company's interest in these claims is subject to a 1.5% net smelter return royalty;

- 20% royalty to Cameco Global Exploration II Ltd. solely in respect of uranium.

6. LONG-TERM BORROWING

In July 2013, the Company purchased an industrial complex in the City of Fernley to be the production site for its organoclay plant, where the Company plans to produce its line of Hectatone™ specialty products for the oil and gas industry. The property was purchased for $1,575, of which $236 was paid at the close of the transaction, and the remaining balance of $1,339 is financed by the seller with a ten-year promissory note payable in monthly instalments. The promissory note bears 5.25% annual interest for the first five years, and then at a reset interest rate of between 5.5% to 7.5% for the final five years, depending on the prime rate at the time of reset. The note is secured by the purchased property. The portion of long-term borrowing that is due within twelve months from the financial statement reporting date is included in current liabilities.

7. DECOMISSIONING PROVISION AND RECLAMATION BONDS

The Company estimated the fair value of the liability for decommissioning provision that arose as a result of exploration activities to be $170. The fair value of the liability was determined to be equal to the estimated remediation costs. As at September 30, 2014, the Company cannot make a reasonable estimate of the timing of the cash flows and the fair value of the future decommissioning provision cannot be reasonably determined.

In fiscal 2013, the Company reclassified previously capitalized non-interest bearing bonds with the Bureau of Land Management ("BLM") of $310 from Exploration and Evaluation Assets to Reclamation Bond. In April 2014, BLM released $310 cash held as reclamation bond to the Company in exchange for a bond guarantee provided by an insurance company. In May 2014, the reclamation bond and the bond guarantee was increased to $908 upon the issuance of Kings Valley Mine Project permit to the Company. The bond guarantee is renewed annually and secured by the Company's $150 restricted cash included in prepaid expenses and deposits.

8. FINANCE LEASES

The Company leases certain equipment for its clay plant under capital lease arrangements. The carrying amount of the leased assets on September 30, 2014, was $118.

In 2014, the Company paid $18 in capital lease payments and capitalized finance charges of $4. Future minimum lease payments relating to the Company's finance leases are as follows:

	Years ended September 30,		
	2015	2016 -2019	Total
	$	$	$
Capital lease payments	26	88	114
Less future finance charges	(3)	(7)	(10)
Present value of minimum lease payments	23	81	104

9. STOCK OPTIONS, WARRANTS, AND WEIGHTED AVERAGE NUMBER OF SHARES

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 20,427 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.

9. STOCK OPTIONS, WARRANTS, AND WEIGHTED AVERAGE NUMBER OF SHARES (continued)

Stock options outstanding and exercisable as at September 30, 2014, are as follows:

Number of Options Outstanding	Number of Options Exercisable	Exercise Price, CDN$	Expiry Date
1,000	1,000	1.28	November 2, 2014[5]
200	200	1.43	December 14, 2014[5]
250	250	2.03	February 4, 2015
100	100	1.09	May 12, 2015
515	515	0.88	July 14, 2015[1]
90	90	1.11	December 16, 2015
1,000	1,000	1.33	January 26, 2016
320	320	1.12	March 17, 2016
200	200	1.22	March 31, 2016
1,080	1,080	0.54	September 16, 2016[2]
1,005	1,005	0.27	January 3, 2017[3]
2,240	2,240	0.16	August 30, 2017
4,360	2,088	0.27	October 21, 2018[4]
210	53	0.80	April 1, 2019
325	81	0.49	July 16, 2019
2,585	646	0.69	August 15, 2019
15,480	10,868		

Subsequent to September 30, 2014:
[1] 10 stock options were cancelled;
[2] 25 stock options were cancelled and 50 stock options exercised;
[3] 25 stock options were exercised;
[4] 8 stock options were exercised;
[5] expired unexercised.

A summary of changes to stock options outstanding:

	Number of Options	Weighted Average Exercise Price, CDN$
Balance, outstanding September 30, 2012	15,150	0.63
Expired	(5,017)	(0.53)
Balance, outstanding September 30, 2013	10,133	0.68
Granted	7,925	0.43
Exercised	(600)	0.29
Expired	(1,720)	(0.51)
Cancelled	(258)	(0.46)
Balance, outstanding September 30, 2014	15,480	0.59

During the year ended September 30, 2014, the Company granted a total of 7,925 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 year:

9. STOCK OPTIONS, WARRANTS, AND WEIGHTED AVERAGE NUMBER OF SHARES (continued)

	October 21, 2013	April 1, 2014	July 16, 2014	August 15, 2014
Number of options granted *('000's)*	4,805	210	325	2,585
Exercise price per share, CDN$	$0.27	$0.80	$0.49	$0.69
Risk-free interest rate	1.68%	1.5%	1.4%	1.3%
Expected life	5 years	5 years	4 years	4 years
Annualized volatility	96%	87%	98%	78%
Dividend rate	0.00%	0.00%	0.00%	0.00%
Fair value per stock option granted, CDN$	$0.19	$0.55	$0.34	$0.34
Total fair value of stock options granted, CDN$	$905	$116	$111	$879

During the year ended September 30, 2014, 213 options were exercised under the cashless exercise provisions of the Company's stock option plan resulting in the issuance of 150 common shares of the Company. The cashless exercise feature allows the optionee, on exercise, to receive the number of common shares in the Company equivalent to the market value of the common shares underlying the number of options exercised less the exercise price, without payment of cash or any other consideration. In addition, the Company issued 387 common shares for the exercise of stock options during the year ended September 30, 2014. The weighted average share price on the date of the options exercise was CDN$0.29.

Stock-based compensation expense of $1,154 (2013 - $225) was charged to operations and credited to contributed surplus to reflect the fair value of stock options vested during the year ended September 30, 2014. At September 30, 2014, $612 of the fair value of stock options previously granted but not yet vested remains to be expensed in fiscal 2015 and $54 in fiscal 2016.

Weighted average number of commons shares and dilutive securities outstanding

	September 30, 2014	September 30, 2013
Weighted average number of common shares outstanding – (basic)	108,450	101,557
Effect of dilutive securities – stock options	-	108
Weighted average number of common shares outstanding - (diluted)	108,450	101,665

Warrants

In May 2014, the Company closed a bought deal offering. The offering consisted of 15,870 units of the Company (the "Units") at a price of CDN$0.58 per unit for aggregate gross proceeds of $8,459. Each unit consists of one common share of the Company and one-half of one common share purchase warrant. Each whole common share purchase warrant ("Warrant") entitles the holder thereof to acquire one share at a price of CDN$0.75 until May 16, 2016. In addition, the Company issued 1,032 brokers' warrants. Brokers' warrants entitle the holder to purchase one common share for a price of CDN$0.58 per share until May 16, 2016. The brokers' warrants were valued using the Black-Scholes option pricing model. The warrants were valued at $0.31 per warrant for total value of $324 and have been recorded as share issue costs with a corresponding increase to contributed surplus. The fair value of warrants granted was estimated on the date of grant using the Black-Scholes pricing model with the following assumptions: risk-free interest rate of 1.02%, expected volatility of 133%, expected life 1.5 years, share price on date of issuance of CDN$0.58, and expected dividend rate of 0%.

9. STOCK OPTIONS, WARRANTS, AND WEIGHTED AVERAGE NUMBER OF SHARES (continued)

A summary of the changes in the number of the Company's share purchase warrants is as follows:

	Number of Warrants *('000's)*	Weighted Average Exercise Price (*in CDN$*)	Expiry date
Balance, September 30, 2013 and 2012	-	-	
Issued	7,935	0.75	May 16, 2016
Exercised	(76)	(0.75)	May 16, 2016
Issued	1,032	0.58	May 16, 2016
Exercised	(619)	(0.58)	May 16, 2016
Balance, September 30, 2014	8,272		

10. RELATED PARTY TRANSACTIONS

The consolidated financial statements include the financial statements of Western Lithium USA Corp. and its significant subsidiaries listed in the following table:

		% Equity interest	
Name	Country of incorporation	As at September 30, 2014	As at September 30, 2013
Western Lithium Corporation	USA	100%	100%
KV Project LLC	USA	100%	100%
Hectatone Inc.[1]	USA	100%	100%

[1] Formerly Kings Valley Clay Inc. Kings Valley Clay Inc. changed name to Hectatone Inc. effective June 25, 2014.

The Company shares Vancouver, Canada, office space, equipment and office administrative services with Meryllion Resources Corp. ("Meryllion"). These services have been mainly provided through a private management company, WMM Services Corporation ("WMM"), equally owned by the Company and Meryllion, and related by virtue of a common director. Costs incurred by the management company are allocated between the Company and Meryllion based on time incurred and use of services and are charged at cost. As at September 30, 2013, WMM was equally owned by Kaizen Discovery Inc. ("Kaizen") and the Company. On December 4, 2013, Meryllion was spun-out from Kaizen and Kaizen's ownership in WMM was transferred to Meryllion.

The Company's related party transactions with WMM included in the following expense categories:

	For the years ended September 30,	
	2014 $	2013 $
Salaries, benefits, directors fees	832	782
Salaries and benefits included in exploration expenditures	83	184
Salaries and benefits included in organoclay research and development	71	-
Office and administration	173	244
Reimbursement of capital assets purchased from third party	-	31
Regulatory and filing fees	19	-
Reimbursement of deposits paid to third party	12	14
Professional fees	-	17
Total related party transactions	1,190	1,272

10. RELATED PARTY TRANSACTIONS (continued)

The Company paid a working capital deposit of $110 to WMM in 2011.

The accounts payable and accrued liabilities of the Company include the following amounts due to WMM:

	As at September 30, 2014 $	As at September 30, 2013 $
Amounts due to WMM	60	82

The related party transactions incurred during the year were in the normal course of operations and were measured at the exchange value, which represented the amount of consideration established and agreed to by the related parties. There were no contractual or other commitments from the related party transactions. The amounts due to related parties are unsecured, non-interest bearing and have no specific terms for repayment.

Compensation of Key Management

The Company pays its non-executive directors a fee of CDN$25 per year payable quarterly. Effective September 1, 2014, the Company pays an additional CDN$10 per year payable quarterly to the Company's Audit Committee Chair.

The remuneration of directors and members of key management included:

	For the years ended September 30, 2014 $	2013 $
Stock-based compensation	866	158
Salaries and benefits	495	646
Salaries and benefits included in exploration expenditures	246	439
Salaries and benefits included in capital assets	246	-
Directors' fees included in salaries and benefits	129	101
	1,982	1,344

	As at September 30, 2014 $	2013 $
Total due to directors	-	12

11. EXPLORATION EXPENDITURES

Kings Valley Property, Nevada, USA			
	Hectorite Mine	Lithium Project	**Total**
Exploration expenditures			
Engineering	(2)	698	**696**
Environmental	65	40	**105**
Geological and consulting (Note 10)	126	765	**891**
Supplies and other services	82	398	**480**
Geochemistry, assays and sampling	-	7	**7**
Total exploration expenditures	271	1,908	**2,179**

Kings Valley Property, Nevada, USA				
	Hectorite Mine	Lithium Project	Other	**Total**
Exploration expenditures				
Clay mining	64	-	-	**64**
Engineering	7	10	-	**17**
Environmental	137	43	-	**180**
Geological and consulting (Note 10)	1,152	755	15	**1,922**
Field supplies and other	175	92	-	**267**
Geochemistry, assays and sampling	-	52	-	**52**
Metallurgy and lab costs	-	13	-	**13**
Total exploration expenditures	1,535	965	15	**2,515**

12. COMMITMENTS

As at September 30, 2014, the Company had the following commitments that have not been disclosed elsewhere in these consolidated financial statements:

	As at September 30, 2014 $
Not later than one year	
Equipment purchases and construction	706
Rent of office space	195
Total	901
Later than one year, but not later than 5 years	
Rent of office space	203

13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

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

	For the years ended September 30,	
	2014	2013
	$	$
Accounts payable and accrued liabilities related to capital assets	1,124	213
Assets acquired under finance leases	118	-
Accounts payable and accrued liabilities related to inventory	84	-
Decommissioning provision	-	170
Shares issued for finder's fee (Note 5)	-	248
Fair value of brokers' warrants issued for financing (Note 9)	324	-
Fair value of brokers' warrants exercised	193	-
Fair value of stock options exercised	113	-
Interest/finance charges paid	70	12
Income taxes paid	-	-

14. SEGMENTED INFORMATION

The Company operates in one business segment, being the acquisition and development of mineral properties. The Company's lithium project is in exploration stage and organoclay project is in the development stage, accordingly, the Company has no reportable segment revenues or operating results for the year ended September 30, 2014 and 2013.

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

	As at September 30, 2014			
	Canada	United States	Germany	Total
	$	$	$	$
Current assets	4,542	3,423	-	7,965
Exploration and evaluation assets	-	456	-	456
Capital assets	42	15,080	811	15,933
	4,584	18,959	811	24,354

	As at September 30, 2013		
	Canada	United States	Total
	$	$	$
Current assets	4,307	7,240	11,547
Capital assets	58	3,653	3,711
Reclamation bond	-	310	310
	4,365	11,203	15,568

15. INCOME TAXES

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

	2014 $	2013 $
(Loss)/Income for the year	(1,300)	466
Expected income tax (recovery)/expense	(338)	119
Items not deductible for income tax purposes	305	60
Effect of higher tax rate in foreign jurisdiction	127	217
Change in unrecognized deductible temporary differences and other	(94)	(396)
Deferred income tax (expense)/recovery	-	-

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

	September 30, 2014 $	September 30, 2013 $
Tax loss carry forwards	6,095	2,987
Exploration and evaluation assets	2,379	7,490
Financing costs	199	55
Reclamation bonds	-	(109)
Decommissioning provision	60	60
Capital assets	127	3
Unrecognized deferred tax assets	8,860	10,486

The Company has Canadian non-capital loss carryforwards of CDN$13,900 (2013 - $11,800) and in the US of approximately $8,200 (2013 - $12,500) expiring between 2028 – 2034 which are available to reduce taxable income in Canada and the US respectively.

16. FINANCIAL INSTRUMENTS

Financial instruments recorded at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

i) Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

ii) Level 2 – Inputs other than quoted prices that are observable for assets or liabilities, either directly or indirectly; and

iii) Level 3 – Inputs for assets and liabilities that are not based on observable market data.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. The Company did not have any financial instruments measured at fair value on the statement of financial position dates.

16. FINANCIAL INSTRUMENTS (continued)

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.

Financial Instruments Risk Exposure

Credit Risk

Credit risk is the risk of loss associated with a 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, receivables, and restricted cash. The Company's maximum exposure to credit risk for cash, cash equivalents, and restricted cash is the amount disclosed in the consolidated statements of financial position. The Company limits its exposure to credit loss by placing its cash, cash equivalents, and restricted cash with major financial institutions and invests only in short-term obligations that are guaranteed by the Canadian government or by Canadian and US chartered banks.

Included in the receivables is value-added tax of $150 on purchases of equipment for the lithium demonstration plant in Germany. Value-added tax balances are recorded at their estimated recoverable amounts within current assets and reflect the Company's best estimate of their recoverability under existing tax rules in the respective jurisdictions. Management's assessment of recoverability involves judgments regarding classification on the consolidated statement of financial position and the probable outcomes of claimed deductions and/or disputes. The provisions and classifications made to date may be subject to change.

The Company's prepaid expenses and deposits consist of the $52 bank deposit for the Company's secured credit cards and other miscellaneous prepaid expenses and deposits that are subject to normal industry credit risk.

The Company's restricted cash of $150 is related to a security deposit for the bond amount guaranteed by a third party.

Management believes that the credit risk concentration with respect to financial instruments included in cash, cash equivalents, receivables, and restricted cash 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, 2014, the Company had a cash balance of $7,160 (September 30, 2013 - $11,364) to settle current liabilities of $1,915 (September 30, 2013 - $614). In addition, the Company has committed to pay $451 for its organoclay plant equipment purchases and construction costs and $255 for its lithium demonstration plant equipment purchases. The Company intends to settle these with funds from its positive working capital position.

16. FINANCIAL INSTRUMENTS (continued)

The following table summarizes the maturities of the Company's financial liabilities:

	Years ended September 30,			
	2015	2016	2017 and later	Total
	$	$	$	$
Accounts payable and accrued liabilities	1,781	-	-	1,781
Long-term borrowing[1]	172	172	1,178	1,522
Obligation under finance leases [1]	26	26	62	114
Decommissioning provision	-	-	170	170
Total	1,979	198	1,410	3,587

[1]Long-term borrowing and obligation under capital leases include principal and interest/finance charges payable.

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 property and the future profitability of the Company is related to the market price of certain minerals.

i) Foreign Currency Risk

The Company incurs expenditures in Canadian dollars ("CDN$"), US dollars ("US$"), and Euros ("€") with the majority of the expenditures being incurred in US$ by the Company's subsidiaries. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in net income or loss.

On September 30, 2014, the Company used foreign exchange rate of CDN$1.12 to US$1.00 (2013 – CDN$1.03 to US$1.00) and foreign exchange rate €0.79 to US$1.00. If the US$ appreciated by 1% in relation to CDN$, the Company's net loss would have decreased by approximately $11. If the € appreciated by 1% to US$, the Company's net loss would decrease by approximately $13.

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.

ii) Interest Rate Risk

The Company is exposed to interest rate risk to the extent that the cash and cash equivalents maintained at the financial institutions is subject to a floating rate of interest. If the interest rate on the Company's cash and cash equivalents maintained in the financial institutions decreased by 0.1%, the Company's loss would have increased by approximately $7. The interest rate risk on cash is not considered significant.

The Company is also exposed to interest rate risk on its long-term borrowing. The promissory note bears interest of 5.25% for the first five years, and then at a reset rate of between 5.5% to 7.5% for the final five years, depending on the prime rate at the time of reset.

17. 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 long-term borrowing and 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.

In order to carry out the planned exploration and development of its project 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 year ended September 30, 2014. The Company is not subject to external covenants.