# WESTERN URANIUM CORPORATION

**(Formerly Pinon Ridge Mining LLC)**

**CONSOLIDATED FINANCIAL STATEMENTS**

**PERIOD FROM INCORPORATION (MARCH 10, 2014) TO DECEMBER 31, 2014**
**(Stated in $USD)**

## Independent Auditor's Report

To the Shareholders of Western Uranium Corporation:

We have audited the accompanying consolidated financial statements of Western Uranium Corporation, which comprise the statement of financial position as at December 31, 2014, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the period from incorporation (March 10, 2014) to December 31, 2014, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 financial statements.

We believe that the audit evidence we have obtained 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 Uranium Corporation as at December 31, 2014, and its financial performance and its cash flows for the period from incorporation (March 10, 2014) to December 31, 2014 in accordance with International Financial Reporting Standards.

**Emphasis of Matter**

Without modifying our opinion, we draw attention to Note 1(b) to the consolidated financial statements which highlights the existence of a material uncertainty relating to conditions that cast significant doubt on Western Uranium Corporation's ability to continue as a going concern.

MNP LLP

Chartered Professional Accountants
Licensed Public Accountants

Mississauga, Ontario
April 30, 2015

MNP LLP

# WESTERN URANIUM CORPORATION

**(Formerly Pinon Ridge Mining LLC)**
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
**AS AT DECEMBER 31, 2014**
**(Stated in $USD)**

| | |
|---|---|
| **ASSETS** | |
| **Current:** | |
| Cash | **$ 172,909** |
| Accounts receivable (Note 5) | **24,273** |
| Prepaid permit and other costs | **98,682** |
| Marketable securities (Note 6) | **3,448** |
| | **299,312** |
| **Long term:** | |
| Restricted cash (Note 7) | **653,734** |
| Mineral properties (Note 8) | **1,543,218** |
| | **$ 2,496,264** |
| **LIABILITIES** | |
| **Current:** | |
| Accounts payable and accrued liabilities (Note 9) | **$ 186,681** |
| Current portion of notes payable (Note 10) | **503,979** |
| | **690,660** |
| **Long term:** | |
| Reclamation liability (Note 11) | **113,772** |
| Notes payable, net of current portion (Note 10) | **423,041** |
| | **1,227,473** |
| **SHAREHOLDERS' EQUITY** | |
| Share capital (Note 12) | **2,315,159** |
| Accumulated deficit | **(1,046,368)** |
| | **1,268,791** |
| | **$ 2,496,264** |

**Going concern** (Note 1(b))

**Subsequent events** (Note 20)

*The accompanying notes form an integral part of these consolidated financial statements*

**Approved on behalf of the Board:**

*" George Glasier "* Director

*" Michael Skutezky "* Director

# WESTERN URANIUM CORPORATION
## (Formerly Pinon Ridge Mining LLC)
## CONSOLIDATED STATEMENT OF LOSS AND COMPREHENSIVE LOSS
## PERIOD FROM INCORPORATION (MARCH 10, 2014) TO DECEMBER 31, 2014
## (Stated in $USD)

| | |
|---|---|
| **Expenses** | |
| Mining expenditures (Note 14) | **$ 95,371** |
| Professional fees | **55,756** |
| Office and general | **33,204** |
| Accretion and interest | **24,888** |
| Consulting fees (Note 19) | **15,037** |
| Foreign exchange loss | **2,186** |
| | **226,442** |
| **Loss before RTO transaction and transaction listing costs** | **(226,442)** |
| Non-cash loss on RTO transaction (Note 4) | **680,577** |
| Transaction listing costs (Note 4) | **139,349** |
| **Net loss and comprehensive loss** | **$ (1,046,368)** |
| **Loss per share - basic and diluted** (Note 13) | **$ (0.10)** |

*The accompanying notes form an integral part of these consolidated financial statements*

# WESTERN URANIUM CORPORATION
## (Formerly Pinon Ridge Mining LLC)
## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
## PERIOD FROM INCORPORATION (MARCH 10, 2014) TO DECEMBER 31, 2014
## (Stated in $USD)

| | Common shares | | | |
|---|---|---|---|---|
| | **Shares** | **Amount** (Note 12) | **Accumulated deficit** | **Total** |
| **As at March 10, 2014** | **-** | **$ -** | **$ -** | **$ -** |
| Issued on incorporation | - | 2,100 | - | 2,100 |
| Private placement | - | 1,499,000 | - | 1,499,000 |
| Shares deemed issued in connection with RTO | 396,924 | 814,059 | - | 814,059 |
| Elimination of Pinon Ridge Mining LLC shares | - | (1,501,100) | - | (1,501,100) |
| Shares issued to Pinon Ridge Mining LLC shareholders in connection with RTO | 11,000,000 | 1,501,100 | - | 1,501,100 |
| Net loss for period | - | - | (1,046,368) | (1,046,368) |
| **As at December 31, 2014** | **11,396,924** | **$ 2,315,159** | **$ (1,046,368)** | **$ 1,268,791** |

*The accompanying notes form an integral part of these consolidated financial statements*

# WESTERN URANIUM CORPORATION
## (Formerly Pinon Ridge Mining LLC)
## CONSOLIDATED STATEMENT OF CASH FLOWS
## PERIOD FROM INCORPORATION (MARCH 10, 2014) TO DECEMBER 31, 2014
## (Stated in $USD)

| | |
|---|---|
| **Operating activities** | |
| **Net loss** | **$ (1,046,368)** |
| Add items not affecting cash | |
| Non-cash loss on RTO transaction (Note 4) | **680,577** |
| Accretion of discount on notes payable (Note 10) | **18,807** |
| Change in foreign exchange on marketable securities | **88** |
| | **(346,896)** |
| **Change in non-cash working capital items** | |
| Accounts receivable | **(4,073)** |
| Prepaid expenses | **(83,457)** |
| Restricted cash | **(653,734)** |
| Accounts payable and accrued liabilities | **46,060** |
| Notes payable | **5,549** |
| | **(1,036,551)** |
| **Investing activities** | |
| Acquisition of mining properties (Note 8) | **(526,781)** |
| **Financing activities** | |
| Cash acquired as part of RTO transaction (Note 4) | **235,141** |
| Share issuance on incorporation (Note 12) | **2,100** |
| Proceeds from issuance of common shares (Note 12) | **1,499,000** |
| | **1,736,241** |
| **Change in cash** | **172,909** |
| Cash, beginning of period | **-** |
| **Cash, end of period** | **$ 172,909** |

*The accompanying notes form an integral part of these consolidated financial statements*

## 1. NATURE OF OPERATIONS AND GOING CONCERN

### (a) Nature of operations

Homeland Uranium Inc. ("HUI") was incorporated in December, 2006 under the Ontario Business Corporations Act and was formerly a non-listed reporting issuer subject to the rules and regulations of the Ontario Securities Commission. 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 HUI by PRM as more fully described in note 4. Subsequent to obtaining appropriate shareholder approvals, the Company reconstituted its Board of Directors and senior management team and changed its name to Western Uranium Corporation.

The Company has registered offices at 401 Bay Street, Suite 2702, Toronto, Ontario, Canada, M5H 2Y4 and its common shares are listed on the CSE under the symbol "WUC". 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 ("USA").

### (b) Going concern

The accompanying consolidated financial statements have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern. In this circumstance, the Company would be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying consolidated financial statements. Such adjustments could be material.

The Company has a working capital deficiency as at December 31, 2014 of $391,348 and has incurred a net loss for the period ended December 31, 2014 of $1,046,368. It expects to incur further losses in the development of its business. The Company will require additional financing *(see note 20(c) re private placement after year-end)* in order to conduct its planned work programs on its mineral properties, meet its ongoing levels of corporate overhead and discharge its liabilities as they come due. These conditions indicate the existence of material uncertainties that cast significant doubt upon the Company's ability to continue as a going concern.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### (a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB") and were authorized for issuance by the Board of Directors on April 29, 2015.

As required by the IASB, effective on incorporation on March 10, 2014, the Company adopted the following amendment to IFRS:

**IAS 32: "Financial Instruments - Offsetting Financial Assets and Financial Liabilities"** provides further clarification on the application of certain aspects of offsetting and net and gross settlement. The adoption of this standard had no effect on the consolidated financial statements**.**

### (b) Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis as modified by the measurement at fair value of financial assets classified as fair value through profit and loss ("FVTPL").

The preparation of consolidated financial statements in accordance with IFRS requires management to make certain critical accounting estimates and to exercise judgement in applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to these consolidated financial statements, are disclosed in note 2(l).

### (c) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries:

- Homeland Uranium, Inc. ("HUI-US"), a Utah Company
- Pinon Ridge Mining LLC ("PRM"), a Delaware Limited Liability Company

Subsidiaries are those entities which the Company controls by having exposure or rights to variable returns from its involvement with the entity and by having the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Company and are de-consolidated from the date that control ceases. Intercompany transactions, balances, income and expenses, and profits and losses are eliminated.

## 2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

### (d) Financial instruments

***Financial assets***

Financial assets are classified as either financial assets at fair value through profit or loss ("FVTPL"), loans and receivables, held-to-maturity investments ("HTM"), or available-for-sale financial assets ("AFS"), as appropriate at initial recognition and, except in very limited circumstances, the classification is not changed subsequent to initial recognition. The classification is determined at initial recognition and depends on the nature and purpose of the financial asset. A financial asset is derecognized when its contractual rights to the asset's cash flows expire or if substantially all the risks and rewards of the asset are transferred. The Company currently has no assets in the HTM category.

***Financial assets at FVTPL***

A financial asset is classified as FVTPL when the financial asset is held for trading or it is designated upon initial recognition as FVTPL. A financial asset is classified as HTM if (1) it has been acquired principally for the purpose of selling or repurchasing in the near term; (2) it is part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short term profit taking; or (3) it is a derivative that is not designated and effective as a hedging instrument. Financial assets at FVTPL are carried in the consolidated statements of financial position at fair value with changes in fair value recognized in profit or loss. Transaction costs are expensed as incurred.

***Loans and receivables***

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortized cost less losses for impairment. The impairment loss of receivables is based on a review of all outstanding amounts at the end of the reporting period. Bad debts are written off during the period in which they are identified. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the depreciation process.

***AFS financial assets***

Non derivative financial assets not included in the above categories are classified as AFS financial assets. They are carried at fair value with changes in fair value generally recognized in other comprehensive loss and accumulated in the AFS reserve. Impairment losses are recognized in profit or loss. Purchases and sales of AFS financial assets are recognized on settlement date with any change in fair value between trade date and settlement date being recognized in the AFS reserve. On sale, the cumulative gain or loss recognized in other comprehensive income is reclassified from accumulated other comprehensive income to profit or loss.

**2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

(d) **Financial instruments, continued**

***Impairment of financial assets***

The Company assesses at each reporting date whether a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the asset's original effective rate.

The carrying amount of all financial assets, excluding trade receivables, is directly reduced by the impairment loss. The carrying amount of trade receivables is reduced through the use of an allowance account. Associated allowances are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

A provision for impairment is made in relation to accounts receivable, and an impairment loss is recognized in profit or loss when there is objective evidence that the Company will not be able to collect all of the amounts due under the original terms. With the exception of AFS equity instruments, if, in a subsequent period, the amount of impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. On the date of impairment reversal, the carrying amount of the financial asset cannot exceed its amortized cost had the impairment not been recognized.

***Effective interest method***

The effective interest method calculates the amortized cost of a financial asset or liability and allocates interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial asset or liability, or where appropriate, a shorter period. Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as FVTPL.

***Financial liabilities***

Financial liabilities are classified as FVTPL, or other financial liabilities, as appropriate upon initial recognition. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. Subsequent to the initial recognition, other financial liabilities are measured at amortized cost using the effective interest method.

## 2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

### (d) Financial instruments, continued

Financial liabilities are classified as FVTPL if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments (including separated embedded derivatives) unless they are designated as effective hedging instruments. Gains or losses on liabilities classified as FVTPL are recognized in profit or loss.

***Financial hierarchy***

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:

**Level 1:** valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
**Level 2:** valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
**Level 3:** valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

***Financial instrument classifications***

The Company has made the following classifications:

| | |
|---|---|
| Cash | FVTPL |
| Accounts receivable | Loans and receivable |
| Marketable securities | FVTPL |
| Restricted cash | FVTPL |
| Accounts payable and accrued liabilities | Other financial liabilities |
| Notes payable | Other financial liabilities |
| Reclamation liability | Other financial liabilities |

### (e) Functional currency and foreign currency translation

***Functional and presentation currency***

The consolidated financial statements are presented in US dollars. The functional currency of the Canadian parent Company is the Canadian dollar and that of the two US subsidiaries is the US dollar.

***Foreign currency translation***

Foreign currency transactions are initially recorded in the functional currency at the transaction date exchange rate. At the end of the reporting period, monetary assets and liabilities denominated in a foreign currency are translated into the functional currency at the exchange rate at that date with all foreign currency adjustments being expensed.

**2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

Non-consolidated financial statements of the Canadian parent company, for which the functional currency is not the US dollar, are translated into US dollars, the presentation currency of the Company: all asset and liability accounts (including non-monetary and capital items) are translated at the exchange rate at the end of the reporting period and all revenue and expense accounts and cash flow statement items are translated at average exchange rates for the reporting period.

(f) **Mineral properties**

The Company expenses all pre-exploration, post-exploration and evaluation expenditures until such time as technical and economic feasibility is reached. Prepayments for permit costs are included in prepaid expenses and recognized in expense over the life of the respective permit.

Identifiable exploration assets acquired are recognized as assets at their cost of acquisition, and are reassessed on a regular basis for possible impairment. Acquired exploration assets are not written down below acquisition cost until such time as the acquisition cost is not expected to be recovered. When an area of interest is abandoned, any expenditure carried forward in respect of that area is written off.

(g) **Impairment of non-financial assets**

The Company continually reviews and evaluates the events or changes in the economic environment that indicate a risk of impairment of assets to determine whether the carrying amount of the asset or group of assets under consideration exceeds its or their recoverable amount. Impairment of the assets is evaluated at the cash-generating unit ("CGU") level which is the smallest identifiable group of assets that generates cash inflows, independent of the cash inflows from other assets, as defined by IAS 36 "Impairment of Assets". Recoverable amount is defined as the higher of the CGU's fair value (less costs to sell) and its value in use. The active market or a binding sale agreement provides the best evidence for the determination of the fair value, but where neither exists, fair value is based on the best information available to reflect the amount the Company could receive for the CGU in an arm's length transaction. Value in use is equal to the present value of future cash flows expected to be derived from the use and sale of the CGU.

**2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

(h) **Provisions and contingencies**

Provisions are recognized when a legal or constructive obligation exists as a result of past events and it is probable that an outflow of resources that can be reliably estimated will be required to settle the obligation. Where the effect is material, the provision is discounted using an appropriate current market-based pre-tax discount rate. The increase in the provision due to passage of time is recognized as interest expense.

When a contingency substantiated by confirming events can be reliably measured and is likely to result in an economic outflow, a liability is recognized at the best estimate required to settle the obligation. A contingent liability is disclosed where the existence of an obligation will only be confirmed by future events, or where the amount of a present obligation cannot be measured reliably or will likely not result in an economic outflow.

(i) **Environmental rehabilitation provision**

The Company's activities could give rise to obligations for environmental rehabilitation which can include dismantling facilities, removal, treatment of waste materials, monitoring, compliance with environmental regulations, security and other site-related costs required to perform the rehabilitation work. Any current expenditures regarding the environmental rehabilitation are recognized as provisions and charged to the cost of the project. Provisions for rehabilitation are periodically adjusted by the Company, when applicable. Such adjustments are recorded as a change in value of the related mineral property.

(j) **Earnings per share**

Basic earnings (loss) per share amounts are calculated by dividing the net earnings (loss) for the period attributable to common shareholders by the weighted average number of common shares outstanding during the period.

Diluted earnings (loss) per share amounts are calculated by dividing the net earnings (loss) attributable to common shareholders of the parent by the weighted average number of shares outstanding during the period plus the weighted average number of shares that would be issued on the conversion of all the dilutive instruments. Stock options and warrants outstanding are not included in the computation of diluted earnings per share if their inclusion would be anti-dilutive.

(k) **Income taxes**

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that the taxable profits will be available against which those deductible temporary differences can be utilized.

**2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interest are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets against tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its tax assets and liabilities on a net basis.

(l) **Critical accounting estimates**

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.

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, include, but are not limited to, the following:

(i) **Environmental rehabilitation provision**

Provisions for environmental rehabilitation require judgement as to the time frame and amounts required to successfully complete such rehabilitations given factors such as weather conditions, the success of replanting efforts and limitations on access to the relative area of exploration.

## 2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

### (l) Critical accounting estimates, continued

#### (ii) Impairment of mineral properties

Management uses significant judgement in determining whether there is any indication that mineral properties may be impaired. Significant judgements include the spot price for uranium, the ability to obtain additional financing, the ability to defer spending requirements and the world-wide political environment towards the use of nuclear energy.

## 3. ACCOUNTING STANDARD ISSUED BUT NOT YET EFFECTIVE

As at the date of authorization of these consolidated financial statements, the IASB has issued the following revised standard which is not yet effective:

**IFRS 9: "Financial Instruments"** was issued by the IASB in its final form in June, 2014 and will replace IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

The Company has not early adopted this standard and does not currently intend to do so, but management is currently assessing the impact of its application in the consolidated financial statements.

## 4. REVERSE TAKEOVER TRANSACTION "(RTO")

On November 20, 2014, Homeland Uranium Inc. ("HUI"), now the Company, through its wholly-owned US subsidiary HUI US, acquired 100% of the members' interests of Pinon Ridge Mining LLC ("PRM"), a private Delaware Limited Liability Company with mining interests in the states of Utah and Colorado. The transaction formed the basis for the Company obtaining a public listing on the Canadian Securities Exchange ("CSE"). To effect the transaction, HUI issued 11,000,000 post-consolidation common shares *(see note 12(b)(ii))* in exchange for all the issued and outstanding securities of PRM. HUI subsequently changed its name to Western Uranium Corporation ("Western"), such that Western is now the indirect parent Company of PRM, a 100% owned-subsidiary.

Although the transaction resulted in PRM legally becoming a wholly-owned subsidiary of HUI, the transaction constituted a reverse takeover of HUI and has been accounted for as a reverse takeover transaction in accordance with guidance provided in IFRS 2 Share Based Payments. As HUI did not qualify as a business according to the definition in IFRS 3, this reverse takeover transaction does not constitute a business combination. It has been treated as an issuance of shares by PRM for the net monetary assets of HUI.

## 4. REVERSE TAKEOVER TRANSACTION "(RTO"), CONTINUED

The transaction therefore has been accounted for as a capital transaction, with PRM being identified as the accounting acquirer and the equity consideration measured at fair value. The resulting consolidated financial statements have been presented as a continuance of PRM's financial statements. The results of operations, cash flows and the assets and liabilities of HUI have been included in these consolidated financial statements since November 20, 2014, the acquisition date.

The consideration paid by PRM to acquire HUI was measured on the basis of the fair value of the equity instruments issued, considering the price per share of private placements closing concurrently with the transaction. In accordance with IFRS 2, the excess of the fair value of the equity instruments issued by PRM over the value of the net monetary assets of HUI was recognized in the consolidated statement of comprehensive loss as a non-cash loss on completion of the RTO. The fair value of the consideration and related allocation were as follows:

| | |
|---|---|
| **Fair value of consideration issued** | |
| Deemed issuance of 396,924 post-consolidation common shares to former shareholders of HUI at CAD $2.32 (USD $2.05) per share (Note 12(b)(i)) | **$ 814,059** |
| 106,250 warrants to former shareholders of HUI - no value ascribed (Note 12(c)) | **-** |
| | **814,059** |
| **Allocation of consideration** | |
| Funds held in trust | **231,152** |
| Other assets | **42,950** |
| Accounts payable and accrued liabilities | **(140,620)** |
| Non-cash loss on completion of RTO | **680,577** |
| | **$ 814,059** |

The Company incurred transaction costs of $139,349 in the process of acquiring the CSE listing, including legal and accounting fees and listing expenses.

## 5. ACCOUNTS RECEIVABLE

| | |
|---|---|
| Refundable HST ITC's | **$ 24,273** |

## 6. MARKETABLE SECURITIES

The Company's marketable securities are carried at fair value and are comprised of the following:

| | $ | Shares |
|---|---|---|
| Caracara Silver Inc. | **$ 3,448** | **800,000** |

The marketable securities have not declined in value since the date of the RTO.

## 7. RESTRICTED CASH

Certain cash balances are restricted as they relate to deposits with banks that have been assigned to state reclamation authorities in the United States to secure various reclamation guarantees with respect to mineral properties in Utah and Colorado. As these funds are not available for general corporate purposes and secure the long term reclamation liability *(see note 11)*, they have been separately disclosed and classified as long-term.

## 8. MINING PROPERTIES

On August 18, 2014, the Company purchased mining assets from Energy Fuels Holding Corp. ("EFHC") 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 in the past. As some of the properties have not formally established proven or probable reserves, there may be greater inherent uncertainty as to whether or not any mineralized material can be economically extracted as originally planned and anticipated.

The consideration paid for the mining assets included the following:

| | |
|---|---|
| Cash paid at closing | $ 526,781 |
| Reclamation liability assumed (Note 11) | 109,749 |
| Notes payable (Note 10) | 902,665 |
| | $ 1,539,195 |

The total consideration above was recorded on the consolidated statement of financial position as "mineral properties". In addition, the Company was required to fund certificates of deposit representing permit bonds required to operate the mines, which represent pledges to secure the Company's reclamation of each mine. These certificates of deposit are recorded on the Company's consolidated statement of financial position under "restricted cash".

**8. MINING PROPERTIES, CONTINUED**

(a) The details of the properties acquired during the period are as follows:

(i) The Company's material property is the San Rafael Uranium Project. This project is located in Emery County, Utah, and forms a single contiguous claim block covered by 146 unpatented federal lode mining claims and the contiguous State Section 36 Mineral Lease. Specifically contained within the San Raphael Uranium Project, the 136 BM claims and the Hollie claims (1-10) cover about 2,900 acres located in parts of Emery County, Utah.

The BM and Hollie claims all lie on public lands administered by the U.S. Federal Bureau of Land Management (the "BLM"). The majority of the San Rafael property lies north of US Interstate Highway 70. The Interstate Highway crosses Utah State Section 36 diagonally from northeast to southwest. The Down Yonder deposit is situated north of the highway.

Most the BM claims included in this project, and all of the Hollie claims, were staked intermittently from January through March 2006. Additional claims having been staked in January 2007 and November 2007. These claims are subject to a 2% net smelter return royalty payable to EMC Utah Inc., a previous owner of these claims.

The Utah State Section 36 Mineral Lease (being Mineral Lease No. 49311), comprises approximately 640 acres, leased from the State of Utah School and Institutional Trust Lands Administration (SITLA). This Lease is for a period of ten (10) years, expiring on April 30, 2024 and carries a royalty of 8% for fissionable metalliferous materials and four percent (4%) for non-fissionable metalliferous minerals, based on the gross value of the ores produced from the leased lands and sold by the Lessee. The annual rental fee is US$1.00 per acre per annum.

A 100% interest in the BM claims, Hollie claims and lease forming the San Rafael Uranium Project was acquired by Energy Fuels Inc. in May of 2009 and January of 2011. On August 18, 2014, the San Rafael Uranium Project was sold by Energy Fuels Inc. to PRM.

(ii) The Sunday Mine Complex is located in western San Miguel County, Colorado, USA. The complex consists of the following five individual mines: the Sunday mine, the Carnation mine, the Saint Jude mine, the West Sunday mine and the Topaz mine. The mines were most recently actively mined from 2007 to 2009. The Sunday Mine Complex property consists of 221 unpatented claims on public lands covering approximately 3,800 acres. 20 of these claims are subject to a 12.5% royalty on all ore produced. The operation of each of the mines included in the Sunday Mine Complex requires a separate permit. Each of the mines is considered to be in active status.

(iii) The Van 4 Mine is located in western Montrose County, Colorado, USA. The Van 4 Mine is a small underground mine that was last operated between 1987 and 1990. The property consists of 115 unpatented claims located on public lands covering in excess of 1,900 acres. There are no royalties encumbering these claims. A mine permit for the Van 4 Mine has been granted and is currently in good standing, and the necessary bonds have been obtained.

**8. MINING PROPERTIES, CONTINUED**

(iv) The Yellow Cat Project is located in eastern Grand County, Utah, USA. This project consists of a total of 90 claims covering approximately 4,660 acres as follows: 85 unpatented claims on public land and 5 Utah State Leases. There are no royalties encumbering the 85 unpatented claims. The 5 Utah State Leases carry a royalty payable to the State of Utah of 8% on uranium produced and 4% on vanadium produced. The Company holds no current exploration permits on the Yellow Cat Project.

(v) The Dunn Mine Complex is located in San Juan County, Utah, USA. It is comprised of 11 unpatented claims and formerly one private lease. The Dunn Mine was closed in the mid-1980s, with only limited development completed and very little production realized. The 11 unpatented claims are located on public lands covering approximately 220 acres. The private lease was subject to a production royalty of 12.5% of the fair market value of ore produced and required annual payments to be made, half of which is rent and the other half being an advance payment of royalty that would have been deductible from any royalty payments due on future production *(see note 8(b))*.

(vi) The Farmer Girl Mine project is located in Montrose County, Colorado, USA. It is comprised of a lease that was entered into on September 2006 for a 10 years term. The lease renews automatically once production at the Farmer Girl Mine commences. The project consists of the historic Farmer Girl Mine, as well as 22 unpatented claims and 7 patented claims. Production at the Farmer Girl Mine ceased in 1989. The project covers an area of approximately 450 acres. All claims carry royalties ranging between 4% and 8% for uranium and vanadium production. The Company holds no permit for the Farmer Girl Mine.

(vii) The Sage Mine project is located in San Juan County, Utah, and San Miguel County, Colorado USA. It consists of 94 unpatented claims and one Utah State Lease covering approximately 1,942 acres. The historic Sage Mine ceased operating in 1982. The 94 unpatented claims are subject to an overriding royalty of 2.5% payable to a previous owner of the claims. The Utah State Lease is subject to a royalty, payable to the State of Utah, of 8% on uranium and 4% on vanadium, plus a 1% overriding royalty payable to the previous owner. Although the mine is partially permitted and bonded, further permits must be obtained prior to the commencement of production.

(b) In December, 2014, the Company elected to abandon the private lease portion of the Dunn Mine Complex by not making the scheduled lease payment. Consequently, $17,500 was written off as lease abandonment costs (*see note 8(a)(v)),* such that all of the Company's rights and obligations under that private lease have been terminated.

(c) The only addition to the mining properties since the acquisition date is an amount of $4,023 from accretion of the reclamation liability *(see note 11)*.

## 9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | |
|---|---|
| Trade accounts payable | **$ 48,706** |
| Accrued liabilities | **137,975** |
| | **$ 186,681** |

## 10. NOTES PAYABLE

On August 18, 2014, in connection with the purchase of the mining assets *(see note 8)*, the Company entered into a note payable with EFHC (the "EFHC Note") for $500,000. The EFHC Note bears interest at rate of 3.0% per annum and is secured by a first priority interest in the 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.

On August 18, 2014, also in connection with the purchase of the Mining Assets, the Company entered into a Note Assumption Agreement with EFHC and Nuclear Energy Corporation ("Nueco"), whereby the Company assumed all of the obligations of EHFC under its note payable with Nueco (the "Nueco Note"). The Nueco Note had remaining obligations outstanding of $500,360, with two installments of $250,180 each, the first of which was due on October 13, 2014. The second installment is due on October 13, 2015. 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. On November 5, 2014, the Company entered into an extension agreement with Nueco for the purpose of addressing the October 13, 2014 payment. Under the terms of the agreement, the due date for the 2014 payment was extended to December 20, 2014. On or before December 20, 2014, the Company was to pay Nueco the full amount of the 2014 payment together with interest thereon at a rate of 6% per annum.

The Nueco payment due on December 20, 2014 was made on January 5, 2015 without penalty other than additional interest at 6% per annum.

## 10. NOTES PAYABLE, CONTINUED

| | **EFHC** | Nueco | Total |
|---|---|---|---|
| Note payable arising on acquisition of mining properties | **$ 500,000** | $ 500,360 | $ 1,000,360 |
| Note discount | **(73,971)** | (23,724) | (97,695) |
| Note payable, net (at date of acquisition) | **426,029** | 476,636 | 902,665 |
| Accretion of discount | **6,340** | 12,467 | 18,807 |
| Accrued interest | **5,548** | - | 5,548 |
| | **437,917** | 489,103 | 927,020 |
| Less: current portion | **(14,876)** | (489,103) | (503,979) |
| Long term portion | **$ 423,041** | $ - | $ 423,041 |

## 11. 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 above accrual represents the Company's best estimate of the present value of future reclamation costs in connection with the Company's purchase of the mining properties *(see note 8)*. The Company estimated that the gross reclamation liability at the time of the acquisition of the mining properties to be approximately $672,196, of which a rebate of $18,462 was received in October, 2014 based upon a re-evaluation by the state of Colorado. The Company expects to begin incurring the reclamation liability after 2054, and accordingly, has discounted the gross liability over a thirty year life using a discount rate of 6.1% to a net discounted value as at December 31, 2014 of $113,772. The remaining gross reclamation liability of $653,734 is secured by certificates of deposit of the same amount *(see note 7)*.

## 12. SHARE CAPITAL AND OTHER EQUITY INSTRUMENTS

Continuity schedules for the Company's share capital are disclosed in the consolidated statement of changes in shareholders' equity for the period from incorporation (March 10, 2014) to December 31, 2014. Details of changes to share capital during that period are as follows:

### (a) PRM "members interests"

PRM was incorporated in Delaware as a limited liability company ("LLC"), which under US law is a hybrid entity with the limited liability protections afforded to a corporation. It does not issue shares per se, but rather "member interests", roughly equivalent to partnership interests. It is treated as a pass-through entity for US taxation purposes under which the taxable earnings (losses) of the LLC are distributed to PRM's individual members.

PRM issued the following members interests during the period as follows:

- Founders on incorporation in March, 2014: $2,100 for 90%
- Private placements in July, 2014: $1,499,000 for 10%

PRM's total members' equity subscribed for prior to the RTO transaction was therefore $1,501,100.

### (b) Western Uranium share capital

As part of the RTO transaction *(see note 4)* that closed on November 20, 2014, the following share capital transactions occurred (after giving effect to a 800 to 1 share consolidation):

(i) 396,924 post-consolidation common shares (or 317,539,200 on a pre-consolidation basis) were deemed issued to former shareholders of HUI at USD $2.05 (CAD $2.32) for a total value of 814,059. The value ascribed was based upon the subscription price from the most recent private placement for HUI that occurred in October, 2014.
(ii) 11,000,000 post-consolidation shares (or 8,800,000,000 on a pre-consolidation basis) were issued to PRM shareholders in exchange for their members interests in PRM.

### (c) Warrants

Former shareholders of HUI also received 106,250 post-consolidation warrants (or 85,000,000 on a pre-consolidation basis) exercisable until February 26, 2015 at a price of CAD $8.00 per post-consolidation share (or CAD $0.01 per pre-consolidation share). Given the limited time until expiry and the spread between the exercise price and trading price on the initial CSE listing of CAD $3.00, no value was ascribed to these warrants as part of the RTO transaction. The warrants all expired unexercised on February 26, 2015.

### (d) Stock options

All prior options of HUI were cancelled as part of the RTO agreement. There were no issued stock options issued as of December 31, 2014.

## 13. LOSS PER SHARE

Basic and diluted loss per share is computed using the weighted average number of common shares outstanding. The weighted average number of common shares outstanding for the period from incorporation (March 10, 2014) to December 31, 2014 was 10,627,155.

Diluted loss per share and the weighted average number of common shares exclude all potentially dilutive equity instruments since their effect is anti-dilutive. As at December 31, 2014, the only potentially dilutive equity instruments outstanding were the 106,250 warrants.

## 14. MINING EXPENDITURES

| | |
|---|---|
| Permits | **$ 38,857** |
| Maintenance | **24,386** |
| Lease abandonment | **17,500** |
| Contract labor | **8,271** |
| Royalties | **6,357** |
| | **$ 95,371** |

## 15. INCOME TAXES

### (a) Income rate reconciliation

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.50% to the effective tax rate is as follows:

| | **2014** |
|---|---|
| **Net loss before recovery of income taxes** | **$(1,046,368)** |
| Expected income tax recovery | **$ (277,290)** |
| Decrease (increase) resulting from: | |
| Differences in foreign tax rates | **(188,260)** |
| Tax effect of RTO | **318,140** |
| Non-deductible expenses | **22,410** |
| Change in tax benefits not recognized | **125,000** |
| | **$ -** |

## 15. INCOME TAXES, CONTINUED

### (b) Unrecognized deferred tax assets

Deferred income taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred income tax assets have not been recognized in respect of the following deductible temporary differences:

| | $ |
|---|---|
| Non-capital losses carried forward | **13,051,371** |
| Marketable securities | **62,064** |

The non-capital loss carry forwards expire between 2026 and 2034. The remaining deductible temporary differences may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

## 16. FINANCIAL RISK FACTORS

### Risk management

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk, market risk and currency risk. Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

(a) **Credit risk**

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash, restricted cash and accounts receivable. As at December 31, 2014, cash and restricted cash of $826,643 is held with reputable financial institutions from which management believes the risk of loss to be minimal. Accounts receivable, which consists of HST ITC's receivable of $24,273 are in good standing, so management believes that the related credit risk concentration is negligible.

(b) **Liquidity risk**

Liquidity risk refers to the risk that the Company will not be able to meet its financial obligations when they become due, or can only do so at excessive cost *(see note 1(b))*. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due, and as such, the Company has classified its marketable securities as current. As at December 31, 2014, the Company had a working capital deficiency of $391,348. All of the Company's financial liabilities have contractual maturities of less than 90 days and are subject to normal trade terms.

As disclosed in note 20(c), the Company raised CAD $1,760,000 (USD $1,453,602) in a private placement that closed in February 2015.

## 16. FINANCIAL RISK FACTORS, CONTINUED

### (c) Sensitivity analysis

As at December 31, 2014, the carrying and fair value amounts of the Company's financial instruments are approximately equivalent.

i) The Company's functional currency is the US dollar and its major purchases are transacted in US dollars. The majority of its Canadian public Company costs, including head office staff, reporting issuer and professional fees are transacted in CAD dollars. The Company maintains CAD dollar bank accounts in Canada. The Company is exposed to foreign currency risk on fluctuations of financial instruments that are denominated predominately in CAD and are related to cash, accounts receivable and accounts payable and accrued liabilities. Sensitivity to a plus or minus 10% change in the foreign exchange rate would affect net loss and comprehensive loss by $6,300, all of which is related to CAD denominated financial instruments.

ii) The Company is exposed to market risk as it relates to its marketable securities. If market prices had varied by 10% from their December 31, 2014 fair market value positions, net loss and comprehensive loss would have varied by approximately $350.

### (d) Fair value hierarchy

The following summarizes the methods and assumptions used in estimating the fair value of the Company's financial instruments where measurement is required. The fair value of financial instruments classified as loans and receivables and other financial liabilities approximates their carrying amounts due to their short term maturities. Fair value amounts represent point in time estimates and may not reflect fair value in the future. The measurements are subjective in nature, involve uncertainties and are a matter of significant judgment. The methods and assumptions used to develop fair value measurements, for those financial instruments where fair value is recognized in the statement of consolidated financial position, have been prioritized into three levels as per their fair value hierarchy, as follows:

| | $ |
|---|---|
| **Level one** | |
| Cash | 172,909 |
| Marketable securities | 3,448 |
| Restricted cash | 653,734 |

### (e) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company has nominal or no interest rate risk on its note payable *(see note 10)* as (1) the EFHC note carries a fixed rate of 3% over its term, due in August, 2018, which approximates fixed rate costs for debt instruments of that term, and (2) the Nueco note, due in October, 2015, is non-interest bearing. The Company does not use derivatives to manage interest rate risk.

## 17. CAPITAL DISCLOSURES

The Company's objectives when managing capital are to safeguard cash as well as maintain financial liquidity and flexibility in order to preserve its ability to meet financial obligations and deploy capital to develop its mining properties into production and to maintain investor, creditor and market confidence to sustain the future development of the business. The Company considers its capital structure to be its shareholders' equity. The Company's financial strategy is designed to maintain a flexible capital structure consistent with the objectives stated above and to respond to business growth opportunities and changes in economic conditions. In order to maintain or adjust its capital structure, the Company may, from time to time, secure equity capital raised by way of private placements, issue new debt (secured, unsecured, convertible and/or other types of debt instruments), acquire or dispose of assets or adjust its capital spending to manage its ability to continue as a going concern.

There can be no assurances that the Company will be able to continue raising equity capital in this manner. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. 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 have been no changes in the Company's approach to capital management since the year-end. The Company is not subject to externally imposed capital requirements.

## 18. SEGMENTED INFORMATION

The Company conducts its business in a single operating segment consisting of the exploration activities in Utah and Colorado, where all the mineral properties and restricted cash are situated.

## 19. 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:

(a) Entities controlled by a member of the Board of Directors were paid consulting fees totalling $9,807 during the fiscal period. As at December 31, 2014, the Company has $11,238 in accounts payable and accrued liabilities owing to this director.

(b) Consulting fees includes $2,615 charged by a Company owned by the Company's CFO. As at December 31, 2014, the Company has $2,997 in accounts payable and accrued liabilities owing to the CFO.

## 20. SUBSEQUENT EVENTS

(a) **Black Range Minerals: Letter of Intent (January 30, 2015 press release)**

On January 30, 2015, the Company announced it had entered into a Letter of Intent with Black Range Minerals Limited (ASX:BLR) ("Black Range"), an Australian Company listed on the Australian Securities Exchange, proposing a combination of the two companies. The Letter of Intent confirmed Western Uranium's desire to acquire all of the issued shares of Black Range (the "Transaction"). In the Transaction, Black Range shareholders would receive one (1) new Western Uranium share for every 750 Black Range shares held. The Letter of Intent is non-binding and the Transaction remains subject to the parties conducting due diligence with respect to each other, and reaching agreement on the detailed terms for the Transaction and negotiating definitive agreements for the Transaction.

(b) **Black Range Minerals: Definitive Agreements Executed, Formalizing WUC's Takeover of Black Range (March 23, 2015 press release)**

On March 23, 2015, the Company announced that, further to its announcement of January 30, 2015 disclosed above, Black Range and Western have executed a series of definitive agreements and ancillary documents to give effect to the proposed transaction which is to be implemented under a Scheme of Arrangement under the Australian Corporations Act 2001 ("Scheme") (the "Agreements").

(i) **Offer Structure and Terms**

Western has proposed to acquire all of the issued ordinary shares of Black Range by way of a Scheme. The Offer is subject to a number of conditions, including:

(1) receipt of all requisite regulatory and shareholder approvals;
(2) an independent expert providing an independent expert's report to Black Range that, in the opinion of the independent expert, the Scheme is in the best interests of Black Range shareholders;
(3) all outstanding Black Range options to be converted to options to acquire shares in Western on a 1 to 750 ratio, for the same term of exercise period as BRL options and at a corresponding exercise price ratio;
(4) Black Range's key personnel waiving any entitlements to redundancy, severance or termination payments that may otherwise be triggered by a change of control event;
(5) under the terms of the Agreements and as soon as reasonably practicable, Black Range will arrange for the transport of an Ablation pilot plant to Western's Sunday Mine Complex for the purpose of undertaking a field trial. Western is responsible for the transportation and field trial costs;
(6) subject to the condition that in the event Black Range's Board of Directors receives a proposal from a third party that it determines is superior to Western's proposal, Black Range may terminate the Agreements, subject to repaying all amounts outstanding under the Credit Facility and paying Western a break fee of $500,000 within 60 days following such termination;

**20. SUBSEQUENT EVENTS, CONTINUED**

(7) Western may terminate the agreement at any time by providing written notice, in which case Western will reimburse Black Range their costs incurred as a result of the Offer up to AU $100,000.

(ii) **Credit facility**

Concurrently with the execution of the Agreements, Western has agreed to provide a secured credit facility providing for loans up to AU $450,000 (the "Credit Facility"), the terms of which include the following:

(1) interest will accrue at 8.00% per annum;
(2) loans under the Credit Facility are secured by Black Range's assets to the extent permitted by law and subject to any requisite third party consents; and
(3) the loan, together with accrued interest, will be repayable to Western on the earlier of (i) 60 days after either party gives notice to terminate the Transaction as provided in the LOI or the Merger Implementation Agreement (as applicable), (ii) 60 days after the date of the Black Range Shareholder Meeting (as defined in the Merger Implementation Agreement), and, (iii) 1 October 2015 (the "Principal Repayment Date").

To date, advances of approximately USD $129,800 have been made to Black Range under the terms of this credit facility.

(c) **Private placement**

On February 4, 2015, the Company completed a private placement raising gross proceeds of CAD $1,760,000 (USD $1,453,602) through the issuance of 640,000 common shares at a price of CAD $2.75 (USD $2.27) per common share. In connection with this private placement, the Company paid broker fees of USD $70,694.

(d) **Consulting agreement**

A US corporation owned by a director entered into a contract with the Company effective January 1, 2015 for the provision of financial and consulting services at an annual fee of $100,000. The contract has a term of one year, subject to 90 day cancellation notice by either party plus normal termination clauses for breach of contract.