

WESTERN URANIUM & VANADIUM CORP. AND SUBSIDIARIES

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Stated in USD)**

WESTERN URANIUM & VANADIUM CORP. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Western Uranium & Vanadium Corp.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Western Uranium & Vanadium Corp. (the "Company") as of December 31, 2021 and 2020, and the related consolidated statements of operations and other comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and the related notes (collectively referred to as the consolidated financial statements).

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2021 and 2020, and the results of its consolidated operations and its consolidated cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Material Uncertainty Related to Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company has incurred continuing losses and negative cash flows from operations and is dependent upon future sources of equity or debt financing in order to fund its operations. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

A handwritten signature in black ink that reads 'MNP LLP'.

Chartered Professional Accountants, Licensed Public Accountants

We have served as the Company's auditor since 2015.

Mississauga, Canada
April 15, 2022

WESTERN URANIUM & VANADIUM CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Stated in USD)

	As of December 31,	
	2021	2020
Assets		
Current assets:		
Cash	\$ 880,821	\$ 565,250
Restricted cash, current portion	75,057	75,057
Prepaid uranium concentrate inventory	4,085,723	-
Prepaid expenses	153,701	136,883
Marketable securities	2,120	2,405
Other current assets	264,039	11,251
Total current assets	5,461,461	790,846
Restricted cash, net of current portion	665,389	831,754
Mineral properties and equipment, net	11,780,142	11,735,522
Kinetic separation intellectual property	9,488,051	9,488,051
Total assets	\$ 27,395,043	\$ 22,846,173
Liabilities and Shareholders' Equity		
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 699,593	\$ 488,794
Reclamation liability, current portion	75,057	75,057
Subscription payable	146,177	-
Deferred revenue, current portion	48,465	64,620
Total current liabilities	969,292	628,471
Reclamation liability, net of current portion	196,563	234,883
Deferred tax liability	2,708,887	2,708,887
Deferred contingent consideration	362,794	392,086
Deferred revenue, net of current portion	60,015	108,480
Total liabilities	4,297,551	4,072,807
Commitments and Contingencies (Note 7)		
Shareholders' Equity		
Common shares, no par value, unlimited authorized shares, 39,073,428 and 30,084,053 shares issued as of December 31, 2021 and 2020 and 39,073,122 and 30,083,747 shares outstanding as of December 31, 2021 and 2020, respectively	36,195,510	29,886,367
Treasury shares, 306 shares held in treasury as of December 31, 2021 and 2020	-	-
Accumulated deficit	(13,161,496)	(11,087,459)
Accumulated other comprehensive income (loss)	63,478	(25,542)
Total shareholders' equity	23,097,492	18,773,366
Total liabilities and shareholders' equity	\$ 27,395,043	\$ 22,846,173

Approval on behalf of the Board:

/s/ George E. Glasier

Director

/s/ Andrew Wilder

Director

WESTERN URANIUM & VANADIUM CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND OTHER COMPREHENSIVE LOSS
(Stated in USD)

	For the Years Ended December 31,	
	2021	2020
Revenues		
Lease and royalty revenue	\$ 272,142	\$ 54,620
Expenses		
Mining expenditures	717,657	393,182
Professional fees	365,302	299,908
General and administrative	1,172,585	1,136,049
Consulting fees	29,543	39,137
Total operating expenses	2,285,087	1,868,276
Operating loss	(2,012,945)	(1,813,656)
Accretion and interest	(16,960)	13,338
Settlement expense	78,052	-
Warrant modification expense	-	639,012
Gain on forgiveness of debt	-	(73,116)
	(2,074,037)	(2,392,890)
Net loss		
Foreign exchange gain (loss)	89,020	(110,860)
	(1,985,017)	(2,503,750)
Comprehensive loss		
	\$ (0.06)	\$ (0.08)
Net loss per share - basic and diluted		
	36,838,441	30,083,747
Weighted average shares outstanding, basic and diluted		

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

WESTERN URANIUM & VANADIUM CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Stated in USD)

	Common Shares		Treasury Shares		Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount	Shares	Amount			
Balance as of January 1, 2020	30,083,747	\$ 29,042,547	306	\$ -	\$ (8,694,569)	\$ 85,318	\$ 20,433,296
Stock based compensation - stock options	-	204,808	-	-	-	-	204,808
Warrant modification expense	-	639,012	-	-	-	-	639,012
Foreign exchange loss	-	-	-	-	-	(110,860)	(110,860)
Net loss	-	-	-	-	(2,392,890)	-	(2,392,890)
Balance as of December 31, 2020	<u>30,083,747</u>	<u>\$ 29,886,367</u>	<u>306</u>	<u>\$ -</u>	<u>\$ (11,087,459)</u>	<u>\$ (25,542)</u>	<u>\$ 18,773,366</u>
Private placement - February 16, 2021, net of offering costs	3,250,000	1,950,509	-	-	-	-	1,950,509
Private placement - March 1, 2021, net of offering costs	3,125,000	1,918,797	-	-	-	-	1,918,797
Private placement - December 17, 2021, net of offering costs	372,966	434,973	-	-	-	-	434,973
Proceeds from the exercise of warrants	2,066,693	2,004,864	-	-	-	-	2,004,864
Cashless exercise of stock options	174,716	-	-	-	-	-	-
Foreign exchange gain	-	-	-	-	-	89,020	89,020
Net loss	-	-	-	-	(2,074,037)	-	(2,074,037)
Balance as of December 31, 2021	<u>39,073,122</u>	<u>\$ 36,195,510</u>	<u>306</u>	<u>\$ -</u>	<u>\$ (13,161,496)</u>	<u>\$ 63,478</u>	<u>\$ 23,097,492</u>

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

WESTERN URANIUM & VANADIUM CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Stated in USD)

	For the Years Ended December 31,	
	2021	2020
Cash Flows From Operating Activities:		
Net loss	\$ (2,074,037)	\$ (2,392,890)
Reconciliation of net loss to cash used in operating activities:		
Depreciation	20,380	10,628
Accretion of reclamation liability	9,142	15,712
Gain on forgiveness of debt	-	(73,116)
Stock based compensation	-	204,808
Warrant modification expense	-	639,012
Change in marketable securities	285	354
Change in operating assets and liabilities:		
Prepaid uranium concentrate inventory	(4,085,723)	-
Prepaid expenses and other current assets	(269,606)	67,029
Accounts payable and accrued liabilities	356,976	(110,543)
Reclamation liabilities	(47,462)	-
Deferred revenue	(64,620)	125,380
Net cash used in operating activities	(6,154,665)	(1,513,626)
Cash Flows From Investing Activities		
Purchase of property and equipment	(65,000)	-
Net cash used in investing activities	(65,000)	-
Cash Flows From Financing Activities		
Proceeds from notes payable	-	73,116
Proceeds from warrant exercises	2,004,864	-
Issuances of Common shares, net of offering costs	4,304,279	-
Net cash provided by financing activities	6,309,143	73,116
Effect of foreign exchange rate on cash	59,728	(69,873)
Net increase (decrease) in cash and restricted cash	149,206	(1,510,383)
Cash and restricted cash - beginning	1,472,061	2,982,444
Cash and restricted cash - ending	\$ 1,621,267	\$ 1,472,061
Cash	\$ 880,821	\$ 565,250
Restricted cash, current portion	75,057	75,057
Restricted cash, noncurrent	665,389	831,754
Total	\$ 1,621,267	\$ 1,472,061
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	\$ -	\$ -
Income taxes	\$ -	\$ -

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

WESTERN URANIUM & VANADIUM CORP. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Stated in USD)

NOTE 1 – BUSINESS

Nature of operations

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

The Company’s registered office is located at 330 Bay Street, Suite 1400, Toronto, Ontario, Canada, M5H 2S8, and its common shares are listed on the CSE under the symbol “WUC.” On April 22, 2016, the Company’s common shares began trading on the OTC Pink Open Market, and on May 23, 2016, the Company’s common shares were approved for trading on the OTCQX Best Market. The Company’s principal business activity is the acquisition and development of uranium and vanadium resource properties in the states of Utah and Colorado in the United States of America (“United States”).

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

NOTE 2 – LIQUIDITY AND GOING CONCERN

The Company has incurred continuing losses from its operations and negative operating cash flows from operations. As of December 31, 2021, the Company had an accumulated deficit of \$13,161,496 and working capital of \$4,492,169.

Since inception, the Company has met its liquidity requirements principally through the issuance of notes and the sale of its common shares. On February 16, 2021, the Company closed a non-brokered private placement of 3,250,000 units at a price of CAD \$0.80 per unit. The aggregate gross proceeds raised in the private placement amounted to CAD \$2,600,000 (USD \$1,950,509 in net proceeds). On March 1, 2021, the Company closed a non-brokered private placement of 3,125,000 units at a price of CAD \$0.80 per unit. The aggregate gross proceeds raised in the private placement amounted to CAD \$2,500,000 (USD \$1,918,797 in net proceeds). On December 17, 2021, the Company closed a non-brokered private placement of 372,966 units at a price of CAD \$1.60 per unit. The aggregate gross proceeds raised in the private placement amounted to CAD \$596,746 (USD \$434,973 in net proceeds). During the year ended December 31, 2021, the Company received \$2,004,864 in proceeds from the exercise of warrants.

The Company’s ability to continue its planned operations and to pay its obligations when they become due is contingent upon the Company obtaining additional financing. Management’s plans include seeking to procure additional funds through debt and equity financing, to secure regulatory approval to fully utilize its kinetic separation (“Kinetic Separation”) technology, and to initiate the processing of ore to generate operating cash flows.

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

WESTERN URANIUM & VANADIUM CORP. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Stated in USD)

Note 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Principles of Consolidation

These consolidated financial statements are presented in United States dollars and have been prepared in accordance with United States Generally Accepted Accounting Principles (“U.S. GAAP”).

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

The Company has established the existence of mineralized materials for certain uranium projects. The Company has not established proven or probable reserves, as defined by the United States Securities and Exchange Commission (the “SEC”), through the completion of a “final” or “bankable” feasibility study for any of its uranium projects.

Exploration Stage and Mineral Properties

In accordance with U.S. GAAP, expenditures relating to the acquisition of mineral rights are initially capitalized as incurred while exploration and pre-extraction expenditures are expensed as incurred until such time the Company exits the exploration stage by establishing proven or probable reserves. Expenditures relating to exploration activities, such as drill programs to search for additional mineralized materials, are expensed as incurred. Expenditures relating to pre-extraction activities, such as the construction of mine wellfields, ion exchange facilities, disposal wells, and mine development, are expensed as incurred until such time proven or probable reserves are established for that uranium project, after which subsequent expenditures relating to development activities for that particular project are capitalized as incurred. Expenditures relating to mining and ore production while the Company is in the exploration stage and while the ore is stockpiled underground are expensed as incurred.

Production stage issuers, as defined in subpart 1300 of Regulation S-K, having engaged in material extraction of established mineral reserves on at least one material property, typically capitalize expenditures relating to ongoing development activities, with corresponding depletion calculated over proven and probable reserves using the units-of-production method and allocated to future reporting periods to inventory and, as that inventory is sold, to cost of goods sold. The Company is an exploration stage issuer, which has resulted in the Company reporting larger losses than if it had been in the production stage due to the expensing, instead of capitalizing, of expenditures relating to ongoing mine development and extraction activities. Additionally, there would be no corresponding amortization allocated to future reporting periods of the Company since those costs would have been expensed previously, resulting in both lower inventory costs and cost of goods sold and results of operations with higher gross profits and lower losses than if the Company had been in the production stage. Any capitalized costs, such as expenditures relating to the acquisition of mineral rights, are depleted over the estimated extraction life using the straight-line method. As a result, the Company’s consolidated financial statements may not be directly comparable to the financial statements of companies in the production stage.

WESTERN URANIUM & VANADIUM CORP. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Stated in USD)

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Use of Estimates

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

Foreign Currency Translation

The reporting currency of the Company, including its subsidiaries, is the United States dollar. The financial statements of subsidiaries located outside of the U.S. are measured in their functional currency, which is the local currency. The functional currency of the parent (Western Uranium & Vanadium Corp. (Ontario)) is the Canadian dollar. Monetary assets and liabilities of these subsidiaries are translated at the exchange rates at the balance sheet date. Transactions denominated in currencies other than the functional currency are recorded based on the exchange rates at the time of the transaction. Income and expense items are translated using average monthly exchange rates. Non-monetary assets are translated at their historical exchange rates. Translation adjustments are included in "Accumulated other comprehensive income (loss)" in the consolidated balance sheets.

Segment Information

The Company determines its reporting units in accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 280, *Segment Reporting*. The Company evaluates a reporting unit by first identifying its operating segments under ASC 280. The Company then evaluates each operating segment to determine if it includes one or more components that constitute a business. If there are components within an operating segment that meet the definition of a business, the Company evaluates those components to determine if they must be aggregated into one or more reporting units. If applicable, when determining if it is appropriate to aggregate different operating segments, the Company determines if the segments are economically similar and, if so, the operating segments are aggregated. The Company has one operating segment and reporting unit. The Company operates in one reportable business segment; the Company is in the business of exploring, developing, mining, and the production of its uranium and vanadium resource properties, including the utilization of the Company's Kinetic Separation technology in its mining processes. The Company is organized and operated as one business. Management reviews its business as a single operating segment, using financial and other information rendered meaningful only by the fact that such information is presented and reviewed in the aggregate.

Cash

The Company considers all highly-liquid instruments with an original maturity of three months or less at the time of issuance to be cash equivalents. As of December 31, 2021 and 2020, the Company had no cash equivalents.

Marketable Securities

The Company classifies its marketable securities as available-for-sale securities, which are carried at their fair value based on the quoted market prices of the securities with unrealized gains and losses reported as accumulated comprehensive income (loss), a separate component of shareholders' equity. Realized gains and losses on available-for-sale securities are included in net earnings in the period earned or incurred.

WESTERN URANIUM & VANADIUM CORP. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Stated in USD)

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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, Wyoming, and Colorado. As these funds are not available for general corporate purposes and secure the long term reclamation liability (see Note 4), they have been separately disclosed and classified as long-term for the majority of the Company's mines. As of December 31, 2021 and 2020, the Company has determined that the Van 4 Mine is now considered to be in reclamation. The Company recognized the Van 4 Mine's reclamation liability and its restricted cash in full on the Company's consolidated balance sheet as current.

Property and equipment

Property and equipment is stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method, based upon the following estimated useful lives:

Equipment	5 years
Computer and related equipment	3 years
Software	7 years
Vehicles	5 years

For the years ended December 31, 2021 and 2020, the Company recorded depreciation expense of \$20,380 and \$10,628, respectively.

Revenue Recognition

The Company leases certain of its mineral properties for the exploration and production of oil and gas reserves. The Company accounts for lease revenue in accordance with the FASB ASC 842, *Leases*. Lease payments received in advance are deferred and recognized on a straight-line basis over the related lease term associated with the prepayment. Royalty payments are recognized as revenues based upon production.

Fair Values of Financial Instruments

The carrying amounts of cash, restricted cash, accounts payable, subscription payable, contingent consideration and accrued liabilities approximate their fair value due to the short-term nature of these instruments. Marketable securities are adjusted to fair value at each balance sheet date based on quoted prices which are considered level 1 inputs. The Company's operating and financing activities are conducted primarily in United States dollars, and as a result, the Company is not subject to significant exposure to market risks from changes in foreign currency rates. The Company is exposed to credit risk through its cash and restricted cash but mitigates this risk by keeping these deposits at major financial institutions.

The FASB ASC 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

Fair value is defined as an exit price, representing the amount that would be received upon the sale of an asset or payment to transfer a liability in an orderly transaction between market participants. Fair value is a market-based measurement that is determined based on assumptions that market participants would use in pricing an asset or liability. A three-tier fair value hierarchy is used to prioritize the inputs in measuring fair value as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable, either directly or indirectly.

Level 3 - Significant unobservable inputs that cannot be corroborated by market data and inputs that are derived principally from or corroborated by observable market data or correlation by other means.

WESTERN URANIUM & VANADIUM CORP. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Stated in USD)

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Fair Values of Financial Instruments (continued)

The fair value of the Company's financial instruments are as follows:

	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Quoted Prices for Similar Assets or Liabilities in Active Markets (Level 2)	Significant Unobservable Inputs (Level 3)
Marketable securities as of December 31, 2021	\$ 2,120	\$ -	\$ -
Marketable securities as of December 31, 2020	\$ 2,405	\$ -	\$ -

Impairment of Long-Lived Assets

The Company reviews and evaluates its long-lived assets and Kinetic Separation technology for impairment when events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Impairment is considered to exist if the total estimated future cash flows on an undiscounted basis are less than the carrying amount of the assets. An impairment loss is measured and recorded based on discounted estimated future cash flows or upon an estimate of fair value that may be received in an exchange transaction. Future cash flows are estimated based on estimated quantities of recoverable minerals, expected uranium prices (considering current and historical prices, trends, and related factors), production levels, operating costs of production, and capital, restoration and reclamation costs, based upon the projected remaining future uranium production from each project. The Company's long-lived assets (which include its mineral assets and Kinetic Separation intellectual property) were acquired during the end of 2014 and in 2015 in arms-length transactions. As of December 31, 2021, the Company evaluated the total estimated future cash flows on an undiscounted basis for its mineral properties and Kinetic Separation intellectual property and determined that no impairment was deemed to exist. Estimates and assumptions used to assess recoverability of the Company's long-lived assets and to measure fair value of our uranium properties are subject to risk uncertainty. Changes in these estimates and assumptions could result in the impairment of the Company's long-lived assets. In estimating future cash flows, assets are grouped at the lowest level for which there are identifiable cash flows that are largely independent of future cash flows from other asset groups.

Income Taxes

The Company utilizes an asset and liability approach for financial accounting and reporting for income taxes. The provision for income taxes is based upon income or loss after adjustment for those permanent items that are not considered in the determination of taxable income. Deferred income taxes represent the tax effects of differences between the financial reporting and tax basis of the Company's assets and liabilities at the enacted tax rates in effect for the years in which the differences are expected to reverse.

The Company evaluates the recoverability of deferred tax assets and establishes a valuation allowance when it is more likely than not that some portion or all of the deferred tax assets will not be realized. Management makes judgments as to the interpretation of the tax laws that might be challenged in an audit and cause changes to previous estimates of tax liability. In management's opinion, adequate provisions for income taxes have been made. If actual taxable income by tax jurisdiction varies from estimates, additional allowances or reversals of reserves may be necessary.

Tax benefits are recognized only for tax positions that are more likely than not to be sustained upon examination by tax authorities. The amount recognized is measured as the largest amount of benefit that is more than 50 percent likely to be realized upon settlement. A liability for unrecognized tax benefits is recorded for any tax benefits claimed in the Company's tax returns that do not meet these recognition and measurement standards. As of December 31, 2021 and December 31, 2020, no liability for unrecognized tax benefits was required to be reported.

The Company's policy for recording interest and penalties associated with tax audits is to record such items as a component of general and administrative expense. There were no amounts accrued for penalties and interest for the years ended December 31, 2021 and 2020. The Company does not expect its uncertain tax position to change during the next twelve months. Management is currently unaware of any issues under review that could result in significant payments, accruals, or material deviations from its position.

WESTERN URANIUM & VANADIUM CORP. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Stated in USD)

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Income Taxes, continued

The Company has identified its federal Canadian and United States tax jurisdictions and its state tax jurisdictions in Colorado and Utah as its “major” tax jurisdictions, and such returns for the years 2017 through 2021 remain subject to examination.

Restoration and Remediation Costs (Asset Retirement Obligations)

Various federal and state mining laws and regulations require the Company to reclaim the surface areas and restore underground water quality for its mine projects to the pre-existing mine area average quality after the completion of mining.

Future reclamation and remediation costs, which include extraction equipment removal and environmental remediation, are accrued at the end of each period based on management’s best estimate of the costs expected to be incurred for each project. Such estimates are determined by the Company’s engineering studies which consider the costs of future surface and groundwater activities, current regulations, actual expenses incurred, and technology and industry standards.

In accordance with the FASB ASC 410, *Asset Retirement and Environmental Obligations*, the Company capitalizes the measured fair value of asset retirement obligations to mineral properties. The asset retirement obligations are accreted to an undiscounted value until the time at which they are expected to be settled. The accretion expense is charged to earnings and the actual retirement costs are recorded against the asset retirement obligations when incurred. Any difference between the recorded asset retirement obligations and the actual retirement costs incurred will be recorded as a gain or loss in the period of settlement.

At each reporting period, the Company reviews the assumptions used to estimate the expected cash flows required to settle the asset retirement obligations, including changes in estimated probabilities, amounts and timing of the settlement of the asset retirement obligations, as well as changes in the legal obligation requirements at each of its mineral properties. Changes in any one or more of these assumptions may cause revision of asset retirement obligations for the corresponding assets.

Stock-Based Compensation

The Company follows the FASB ASC 718, *Compensation - Stock Compensation*, which addresses the accounting for stock-based payment transactions, requiring such transactions to be accounted for using the fair value method. Awards of shares for property or services are recorded at the fair value of the stock or the fair value of the service, whichever is more readily measureable. The Company uses the Black-Scholes option-pricing model to determine the grant date fair value of stock-based awards under ASC 718. The fair value is charged to earnings depending on the terms and conditions of the award, and the nature of the relationship of the recipient of the award to the Company. The Company records the grant date fair value in line with the period over which it was earned. For employees and consultants, this is typically considered to be the vesting period of the award. The Company estimates the expected forfeitures and updates the valuation accordingly.

Warrant Modification Expense

In accordance with ASC 718, a modification of the terms or conditions of an equity award shall be treated as an exchange of the original award for a new award. The incremental cost is measured as the excess of the fair value of the modified award determined in accordance with ASC 718 over the fair value of the original award immediately before its terms are modified, measured based on the share price and other pertinent factors. The resulting difference is recorded as a warrant modification expense.

WESTERN URANIUM & VANADIUM CORP. AND SUBSIDIARIES
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NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Loss per Share

Basic net loss per share is computed by dividing net loss by the weighted average number of common shares outstanding during the period. Diluted earnings per share are computed using the weighted average number of common shares and, if dilutive, potential common shares outstanding during the period. Potential common shares consist of the incremental common shares issuable upon the exercise of stock options and warrants (using the treasury stock method). The computation of diluted net loss per share for the years ended December 31, 2021 and 2020 excludes potentially dilutive securities. The computations of net loss per share for each year presented is the same for both basic and fully diluted.

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

	For the Years Ended December 31,	
	2021	2020
Warrants to purchase common shares	9,735,948	8,533,582
Options to purchase common shares	2,324,670	2,808,000
Total potentially dilutive securities	12,060,618	11,341,582

Recent Accounting Standards

Management does not believe that any recently issued, but not yet effective accounting standards, when adopted, will have a material effect on the accompanying consolidated financial statements. The Company has adopted the recent accounting standards that are disclosed below.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. ASU 2016-13 replaces the incurred loss model with an expected loss model, which is referred to as the current expected credit loss (“CECL”) model. The CECL model is applicable to the measurement of credit losses on financial assets measured at amortized cost, including loan receivables, held-to-maturity debt securities, and reinsurance receivables. It also applies to off-balance sheet credit exposures not accounted for as insurance (such as loan commitments, standby letters of credit, financial guarantees, and other similar instruments) and net investments in leases recognized by a lessor. For public business entities that meet the definition of an SEC filer, the standard was effective for fiscal years beginning after December 15, 2019, including interim periods in those fiscal years. For debt securities with other-than-temporary impairment, the guidance will be applied prospectively. Existing purchased credit impaired (“PCI”) assets will be grandfathered and classified as purchased credit deteriorated (“PCD”) assets at the date of adoption. The asset will be grossed up for the allowance for expected credit losses for all PCD assets at the date of adoption and will continue to recognize the non-credit discount in interest income based on the yield of such assets as of the adoption date. Subsequent changes in expected credit losses will be recorded through the allowance. For all other assets within the scope of CECL, a cumulative-effect adjustment will be recognized in retained earnings as of the beginning of the first reporting period in which the guidance is effective. The standard became effective for the Company beginning January 1, 2020. The adoption of this standard did not have a material impact on the Company’s results of operations, financial condition, cash flows, and financial statement disclosure.

In December 2019, FASB issued ASU No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. ASU 2019-12 eliminated certain exceptions and changed guidance on other matters. The exceptions relate to the allocation of income taxes in separate company financial statements, tax accounting for equity method investments, and accounting for income taxes when the interim period year-to-date loss exceeds the anticipated full year loss. Changes relate to the accounting for franchise taxes that are income-based and non-income-based, determining if a step-up in tax basis is part of a business combination or if it is a separate transaction, when enacted tax law changes should be included in the annual effective tax rate computation, and the allocation of taxes in separate company financial statements to a legal entity that is not subject to income tax. The new standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020, with early adoption permitted. The Company adopted this standard, and it did not result in a material impact on its results of operations, financial position, cash flows, and related disclosures.

WESTERN URANIUM & VANADIUM CORP. AND SUBSIDIARIES
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NOTE 4 - MINERAL ASSETS EQUIPMENT, KINETIC SEPARATION INTELLECTUAL PROPERTY, AND OTHER PROPERTY

The Company's mining properties acquired on August 18, 2014 that the Company retains as of December 31, 2021 include: The San Rafael Uranium Project located in Emery County, Utah; The Sunday Mine Complex located in western San Miguel County, Colorado; The Van 4 Mine located in western Montrose County, Colorado; The Sage Mine located in San Juan County, Utah, and San Miguel County, Colorado. These mining properties include leased land in the states of Colorado and Utah. None of these mining properties were operational at the date of acquisition.

The Company's mining properties acquired on September 16, 2015 that the Company retains as of December 31, 2021 include Hansen, North Hansen and Hansen Picnic Tree located in Fremont and Teller Counties, Colorado. The Company also acquired the Keota project located in Weld County, Colorado and the Ferris Haggerty project located in Carbon County Wyoming. These mining assets include both owned and leased land in the states of Utah, Colorado, and Wyoming. All of the mining assets represent properties which have previously been mined, to different degrees, for uranium.

As the Company has not formally established proven or probable reserves on any of its properties, there is inherent uncertainty as to whether or not any mineralized material can be economically extracted as originally planned and anticipated.

The Company's mineral properties and equipment and kinetic separation intellectual property are:

	As of December 31,	
	2021	2020
Mineral properties and equipment	\$ 11,780,142	\$ 11,735,522
Kinetic separation intellectual property	\$ 9,488,051	\$ 9,488,051

Oil and Gas Lease and Easement

The Company entered into an oil and gas lease that became effective with respect to minerals and mineral rights owned by the Company of approximately 160 surface acres of the Company's property in Colorado. As consideration for entering into the lease, the lessee has agreed to pay the Company a royalty from the lessee's revenue attributed to oil and gas produced, saved, and sold attributable to the net mineral interest. The Company has also received cash payments from the lessee related to the easement that the Company is recognizing incrementally over the eight year term of the easement.

On June 23, 2020, the same entity, as discussed above, elected to extend the oil and gas lease easement for three additional years, commencing on the date the lease would have previously expired. During 2021, the operator completed all well development stages, and each of the eight (8) Blue Teal Fed wells commenced oil and gas production by mid-August 2021.

During the years ended December 31, 2021 and 2020 the Company recognized aggregate revenue of \$272,142 and \$54,620, respectively, under these oil and gas lease arrangements (See Note 14).

WESTERN URANIUM & VANADIUM CORP. AND SUBSIDIARIES
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NOTE 4 - MINERAL ASSETS EQUIPMENT, KINETIC SEPARATION INTELLECTUAL PROPERTY, AND OTHER PROPERTY (CONTINUED)

Reclamation Liabilities

The Company's mines are subject to certain asset retirement obligations, which the Company has recorded as reclamation liabilities. The reclamation liabilities of the United States mines are subject to legal and regulatory requirements, and estimates of the costs of reclamation are reviewed periodically by the applicable regulatory authorities. The reclamation liability represents the Company's best estimate of the present value of future reclamation costs in connection with the mineral properties. The Company determined the gross reclamation liabilities of the mineral properties as of December 31, 2021 and 2020, to be approximately \$740,446 and \$906,811, respectively. On March 2, 2020, the Colorado Mined Land Reclamation Board ("MLRB") issued an order vacating the Van 4 Temporary Cessation, terminating mining operations and ordering commencement of final reclamation. The Company has begun the reclamation of the Van 4 Mine. The reclamation cost is fully covered by the reclamation bonds posted upon acquisition of the property. The Company adjusted the fair value of its reclamation obligation for the Van 4 Mine. The portion of the reclamation liability related to the Van 4 Mine and its related restricted cash are included in current liabilities and current assets, respectively, at a value of \$75,057. The Company expects to begin incurring the reclamation liability after 2054 for all mines that are not in reclamation and accordingly, has discounted the gross liabilities over their remaining lives using a discount rate of 5.4%. The net discounted aggregated values as of December 31, 2021 and 2020 were \$271,620 and \$309,940, respectively. The gross reclamation liabilities as of December 31, 2021 and 2020 are secured by financial warranties in the amount of \$740,446 and \$906,811, respectively.

Reclamation liability activity for the years ended December 31, 2021 and 2020 consists of:

	For the Years Ended December 31,	
	2021	2020
Beginning balance	\$ 309,940	\$ 294,228
Accretion	9,142	15,712
Discontinuation of reclamation liability	(47,462)	-
Ending Balance	<u>\$ 271,620</u>	<u>\$ 309,940</u>

During the first quarter of 2021, the Company received notice that its Ferris Haggerty property was no longer considered to be subject to reclamation treatment. The Company recorded a discontinuation of the Ferris Haggerty property's present value of \$2,669 during the first quarter 2021. On April 29, 2021, the Company moved the Ferris Haggerty \$10,000 restricted cash deposit into its cash after receiving payment from the state of Wyoming. During the fourth quarter of 2021, the Company received notice from the State of Colorado that its surety release request on the Hansen Picnic Tree property had been approved, and as such, this property is no longer subject to reclamation treatment. As the property was not a current development priority, Western completed reclamation on the property. The Company recorded a discontinuation of the Hansen Picnic Tree property's present value of \$44,793 during the fourth quarter of 2021. On December 29, 2021, the Company moved the \$154,936 restricted cash deposit into its cash after receiving payment from the state of Colorado.

WESTERN URANIUM & VANADIUM CORP. AND SUBSIDIARIES
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NOTE 4 - MINERAL ASSETS EQUIPMENT, KINETIC SEPARATION INTELLECTUAL PROPERTY, AND OTHER PROPERTY, CONTINUED

Van 4 Mine Permitting Status

A prior owner of the Company's Van 4 Mine had been granted a first Temporary Cessation from reclamation of the mine by the MLRB which was set to expire June 23, 2017. Prior to its expiration, PRM formally requested an extension through a second Temporary Cessation. PRM subsequently participated in a public process which culminated in a hearing on July 26, 2017. Prior to the hearing, three non-profit organizations who pursue environmental and conservation objectives filed a brief objecting to the extension. The MLRB board members voted to grant a second, five-year Temporary Cessation for the Van 4 Mine. Thereafter, the three objecting parties filed a lawsuit on September 18, 2017. The MLRB was named as the defendant and PRM was named as a party to the case due to the Colorado law requirement that any lawsuit filed after a hearing must include all of the parties in the proceeding. The plaintiff organizations are seeking for the court to set aside the board order granting a second five-year Temporary Cessation period to PRM for the Van 4 Mine. The Colorado state Attorney General was defending this action in the Denver Colorado District Court. On May 8, 2018, the Denver Colorado District Court ruled in favor, whereby the additional five-year Temporary Cessation period was granted. The Plaintiffs appealed this ruling to the Colorado Court of Appeals, and on July 25, 2019 the ruling was reversed, ruling that the additional five-year Temporary Cessation period should not have been granted.

The MLRB and the Colorado Attorney General advised Western that it will not make an additional appeal of the ruling. Further, the time period for an appeal has passed. The Judge has subsequently issued an instruction for the MLRB to issue an order revoking the permit and putting the Van 4 Mine into reclamation. On January 22, 2020, the MLRB held a hearing, and on March 2, 2020, the MLRB issued an order vacating the Van 4 Temporary Cessation, revoking the permit and ordering commencement of final reclamation, which must be completed within five years. The Company commenced reclamation of the Van 4 Mine, but progress has been delayed both by the novel coronavirus ("COVID-19") restrictions and countywide fire and open flame restrictions. The reclamation cost is fully covered by the reclamation bonds posted upon acquisition of the property. Our mining operations team has made significant progress on the reclamation as all surface structures have been disassembled and removed with the exception of the head frame.

WESTERN URANIUM & VANADIUM CORP. AND SUBSIDIARIES
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NOTE 4 - MINERAL ASSETS EQUIPMENT, KINETIC SEPARATION INTELLECTUAL PROPERTY, AND OTHER PROPERTY, CONTINUED

Sunday Mine Complex Permitting Status

On February 4, 2020, the Colorado DRMS sent a Notice of Hearing to Declare Termination of Mining Operations related to the status of the mining permits issued by the state of Colorado for the Sunday Mine Complex. At issue was the application of an unchallenged Colorado Court of Appeals Opinion for a separate mine (Van 4) with very different facts that are retroactively modifying DRMS rules and regulations. The Company maintains that it was timely in meeting existing rules and regulations. The hearing was scheduled to be held during several monthly MLRB Board meetings, but this matter was delayed several times. The permit hearing was held during the MLRB Board monthly meeting on July 22, 2020. At issue was the status of the five existing permits which comprise the Sunday Mine Complex. Due to COVID-19 restrictions, the hearing took place utilizing a virtual-only format. The Company prevailed in a 3 to 1 decision which acknowledged that the work completed at the Sunday Mine Complex under DRMS oversight was timely and sufficient for Western to maintain these permits. In a subsequent July 30, 2020 letter, the DRMS notified the Company that the status of the five permits (Sunday, West Sunday, St. Jude, Carnation, and Topaz) had been changed to "Active" status effective June 10, 2019, the original date on which the change of the status was approved. On August 23, 2020, the Company initiated a request for Temporary Cessation status for the Sunday Mine Complex as the mines had not been restarted within a 180-day window due to the direct and indirect impacts of the COVID-19 pandemic. Accordingly, a permit hearing was scheduled for October 21, 2020 to determine Temporary Cessation status. In a unanimous vote, the MLRB approved Temporary Cessation status for each of the five Sunday Mine Complex permits (Sunday, West Sunday, St. Jude, Carnation, and Topaz). On October 9, 2020, the MLRB issued a board order which finalized the findings of the July 22, 2020 permit hearing. On November 10, 2020, the MLRB issued a board order which finalized the findings of the October 21, 2020 permit hearing. On November 6, 2020, the MLRB signed an order placing the five Sunday Mine Complex mine permits into Temporary Cessation. On November 12, 2020, a coalition of environmental groups (the "Plaintiffs") filed a complaint against the MLRB seeking a partial appeal of the July 22, 2020 decision by requesting termination of the Topaz Mine permit. On December 15, 2020, the same coalition of environmental groups amended their complaint against the MLRB seeking a partial appeal of the October 21, 2020 decision requesting termination of the Topaz Mine permit. The Company has joined with the MLRB in defense of their July 22, 2020 and October 21, 2020 decisions. On May 5, 2021, the Plaintiffs in the Topaz Appeal filed an opening brief with the Denver District Court seeking to overturn the July 22, 2020 and October 21, 2020 MLRB permit hearing decisions on the Topaz Mine permit. The MLRB and the Company were to respond with an answer brief within 35 days on or before June 9, 2021, but instead sought a settlement. The judicial review process was delayed as extensions were put in place until August 20, 2021. A settlement was not reached, and the MLRB and the Company submitted answer briefs on August 20, 2021. The Plaintiff submitted a reply brief on September 10, 2021. On March 1, 2022, the Denver District Court reversed the MLRB's orders regarding the Topaz Mine and remanded the case back to MLRB for further proceedings consistent with its order. The Company and the MRLB have until April 19, 2022 to appeal the Denver District Court's ruling. The Company is also working toward the completion of an updated Topaz mine Plan of Operations which is a separate federal requirement of the BLM for the conduct of mining activities on federal land.

WESTERN URANIUM & VANADIUM CORP. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 4 - MINERAL ASSETS EQUIPMENT, KINETIC SEPARATION INTELLECTUAL PROPERTY, AND OTHER PROPERTY, CONTINUED

Kinetic Separation Intellectual Property

The Kinetic Separation intellectual property was acquired in Western’s acquisition of Black Range on September 16, 2015. Previously Black Range acquired its Kinetic Separation assets in the dissolution of a joint venture on March 17, 2015, through the acquisition of all the assets of the joint venture and received a 25-year license to utilize all of the patented and unpatented technology owned by the joint venture. The technology license agreement for patents and unpatented technology became effective as of March 17, 2015, for a period of 25 years, until March 16, 2040. There are no remaining license fee obligations, and there are no future royalties due under the agreement. The Company has the right to sub-license the technology to third parties. The Company may not sell or assign the Kinetic Separation license; however, the license could be transferred in the case of a sale of the Company. The Company has developed improvements to Kinetic Separation during the term of the license agreement and retains ownership of, and may obtain patent protection on, any such improvements developed by the Company.

The Kinetic Separation patent was filed on September 13, 2012 and granted on February 14, 2014 by the United States Patent Office. The patent is effective for a period of 20 years until September 13, 2032. This patent is supported by two provisional patent applications. The provisional patent applications expired after one year but were incorporated in the U.S. Patent by reference and claimed benefit prior to their expirations. The status of the patent and two provisional patent applications has not changed subsequent to the 2014 patent grant. The Company has the continued right to use any patented portion of the Kinetic Separation technology that enters the public domain subsequent to the patent expiration.

The Company anticipates Kinetic Separation will improve the efficiency of the mining and processing of the sandstone-hosted ore from Western’s conventional mines through the separation of waste from mineral bearing-ore, potentially reducing transportation, mill processing, and mill tailings costs. Kinetic Separation is not currently in use or being applied at any Company mines. The Company views Kinetic Separation as a cost saving technology, which it will seek to incorporate into ore production subsequent to commencing scaled production levels. There are also alternative applications, which the Company has explored.

NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consisted of:

	As of December 31,	
	2021	2020
Trade accounts payable	\$ 510,831	\$ 347,017
Accrued liabilities	188,762	141,777
Total accounts payable and accrued liabilities	\$ 699,593	\$ 488,794

NOTE 6 – LOAN PAYABLE

Paycheck Protection Program Loan

On May 6, 2020, the Company obtained the PPP Loan of \$73,116. The loan had a fixed interest rate of 1%, required the Company to make seventeen (17) monthly payments, after a seven months deferral period, and had a maturity date of May 6, 2022. The entirety of the loan principal was eligible for forgiveness to the extent that the proceeds are utilized toward permissible expenditures within the initial period. On December 2, 2020, the Company received notice from the U.S. Small Business Association that the entire PPP Loan balance and accrued interest was forgiven in full on such date. The Company recorded the loan forgiveness as other income in the Company’s consolidated statement of operations and other comprehensive loss.

WESTERN URANIUM & VANADIUM CORP. AND SUBSIDIARIES
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NOTE 7– COMMITMENTS AND CONTINGENCIES

Supply Contract

In December 2015, the Company signed a uranium concentrates supply agreement with a major United States utility company for delivery commencing in 2018 and continuing for a five-year period through 2022. The Company and the major United States utility customer mutually agreed to cancel the Year 3 delivery, rather than pursue a partial assignment. There was no delivery during 2020. On March 8, 2021, the Company entered into an agreement with a third party to complete the Year 4 (2021) uranium concentrate delivery. The Company paid \$78,000 in April 2021 to the assignee for which the assignee made the delivery in May 2021. This amount is included in settlement expense on the Company's consolidated statement of operations and comprehensive loss. On April 13, 2022, in satisfaction of its Year 5 (2022) delivery obligation, the Company delivered 125,000 pounds of uranium concentrate (See Note 14).

Strategic Acquisition of Physical Uranium

On May 28, 2021, the Company executed a binding agreement to purchase 125,000 pounds of natural uranium concentrate at the market price. In December 2021, the Company paid \$4,020,000 or \$32.16 per pound, in connection with its full prepayment of the purchase price for 125,000 pounds of natural uranium concentrate. This uranium concentrate was delivered to the purchaser on April 13, 2022, pursuant to the terms of the aforementioned uranium concentrates supply agreement.

NOTE 8 - SHARE CAPITAL AND OTHER EQUITY INSTRUMENTS

Authorized Capital

The holders of the Company's common shares are entitled to one vote per share. Holders of common shares are entitled to ratably receive such dividends, if any, as may be declared by the board of directors, out of legally available funds. Upon the liquidation, dissolution, or winding down of the Company, holders of common shares are entitled to share ratably in all assets of the Company that are legally available for distribution. As of December 31, 2021 and 2020, an unlimited number of common shares were authorized for issuance.

Private Placements

On February 16, 2021, the Company closed a non-brokered private placement of 3,250,000 units at a price of CAD \$0.80 per unit. The aggregate gross proceeds raised in the private placement amounted to CAD \$2,600,000 (USD \$1,950,509 in net proceeds). Each unit consisted of one common share of Western (a "Share") plus one common share purchase warrant of Western (a "Warrant"). Each warrant entitled the holder to purchase one Share at a price of CAD \$1.20 per Share for a period of three years following the closing date of the private placement. A total of 3,250,000 Shares and 3,250,000 Warrants were issued in the private placement.

On March 1, 2021, the Company closed a non-brokered private placement of 3,125,000 units at a price of CAD \$0.80 per unit. The aggregate gross proceeds raised in the private placement amounted to CAD \$2,500,000 (USD \$1,918,797 in net proceeds). Each unit consisted of one Share plus one Warrant. Each Warrant entitled the holder to purchase one Share at a price of CAD \$1.20 per Share for a period of three years following the closing date of the private placement. A total of 3,125,000 Shares and 3,125,000 Warrants were issued in the private placement.

On December 17, 2021, the Company closed a non-brokered private placement of 372,966 units at a price of CAD \$1.60 per unit. The aggregate gross proceeds raised in the private placement amounted to CAD \$596,746 (USD \$434,973 in net proceeds). Each unit consisted of one Share plus one Warrant. Each Warrant entitled the holder to purchase one Share at a price of CAD \$2.50 per Share for a period of three years following the closing date of the private placement. A total of 372,966 Shares and 372,966 Warrants were issued in the private placement.

Warrant Exercises

During the year ended December 31, 2021, an aggregate of 2,066,693 warrants were exercised for total gross proceeds of \$2,004,864.

WESTERN URANIUM & VANADIUM CORP. AND SUBSIDIARIES
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NOTE 8 - SHARE CAPITAL AND OTHER EQUITY INSTRUMENTS (CONTINUED)

Incentive Stock Option Plan

The Company maintains an Incentive Stock Option Plan (the “Plan”) that permits the granting of stock options as incentive compensation. Shareholders of the Company approved the Plan on June 30, 2008 and amendments to the Plan on June 20, 2013. The board of directors approved additional changes to the Plan on September 12, 2015 and as of October 1, 2021.

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

The Plan provides that the aggregate number of common shares for which stock options may be granted will not exceed 10% of the issued and outstanding common shares at the time stock options are granted. As of December 31, 2021, a total of 39,073,122 common shares were outstanding, and at that date the maximum number of stock options eligible for issue under the Plan was 3,907,312.

On October 1, 2021, the Company amended the Plan to allow for the cashless exercise of stock options, among other things.

During the year ended December 31, 2021, the Company issued 174,716 shares of common stock pursuant to the cashless exercise of 483,330 stock options.

Stock Options

	Number of Shares	Weighted Average Exercise Price	Weighted Average Contractual Life (Years)	Weighted Average Grant Date Fair Value	Intrinsic Value
Outstanding – January 1, 2021	2,808,000	\$ 1.42	2.43	\$ 0.37	\$ 33,782
Exercised	(483,330)	1.72	-	0.30	-
Outstanding – December 31, 2021	2,324,670	\$ 1.35	1.67	\$ 0.39	\$ 528,714
Exercisable – December 31, 2021	2,324,670	\$ 1.35	1.67	\$ 0.39	\$ 528,714

	Number of Shares	Weighted Average Exercise Price	Weighted Average Contractual Life (Years)	Weighted Average Grant Date Fair Value	Intrinsic Value
Outstanding - January 1, 2020	2,208,000	\$ 1.56	3.01	\$ 0.41	-
Granted	600,000	0.76	4.52	0.76	-
Expired, forfeited, or cancelled	-	-	-	-	-
Outstanding – December 31, 2020	2,808,000	\$ 1.42	2.43	\$ 0.37	\$ 33,782
Exercisable – December 31, 2020	2,808,000	\$ 1.42	2.43	\$ 0.37	\$ 33,782

The Company’s stock-based compensation expense related to stock options for the years ended December 31, 2021 and 2020 was \$0 and \$204,808, respectively, which is included in general and administrative expenses on the Company’s consolidated statements of operations and comprehensive loss. As of December 31, 2021, the Company had \$0 in unamortized stock option expense.

WESTERN URANIUM & VANADIUM CORP. AND SUBSIDIARIES
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NOTE 8 - SHARE CAPITAL AND OTHER EQUITY INSTRUMENTS (CONTINUED)

Stock Options, continued

The Company utilized the Black-Scholes option pricing model to determine the fair value of these stock options, using the assumptions as outlined below.

	January 6, 2020
Stock Price	CAD \$1.03
Exercise Price	CAD \$1.03
Number of Options Granted	600,000
Dividend Yield	0%
Expected Volatility	90.5%
Weighted Average Risk-Free Interest Rate	1.61%
Expected life (in years)	2.6

Warrants

	<u>Number of Shares</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Contractual Life (Years)</u>	<u>Intrinsic Value</u>
Outstanding - January 1, 2020	8,602,913	\$ 1.51	-	-
Issued	-	-	-	-
Expired	(69,331)	0.86	-	-
Outstanding – December 31, 2020	<u>8,533,582</u>	<u>\$ 1.54</u>	<u>0.82</u>	<u>\$ -</u>
Exercisable – December 31, 2020	<u>8,533,582</u>	<u>\$ 1.54</u>	<u>0.82</u>	<u>\$ -</u>
Outstanding – January 1, 2021	8,533,582	\$ 1.54	0.82	-
Issued	6,916,206	0.88	-	-
Expired	(3,647,147)	1.84	-	-
Exercised	(2,066,693)	0.95	-	-
Outstanding – December 31, 2021	<u>9,735,948</u>	<u>\$ 1.09</u>	<u>1.49</u>	<u>\$ 3,799,606</u>
Exercisable – December 31, 2021	<u>9,735,948</u>	<u>\$ 1.09</u>	<u>1.49</u>	<u>\$ 3,799,606</u>

WESTERN URANIUM & VANADIUM CORP. AND SUBSIDIARIES
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NOTE 8 - SHARE CAPITAL AND OTHER EQUITY INSTRUMENTS (CONTINUED)

Warrant Extension

On April 20, 2020, the Company announced the extension by nine months of the common share purchase warrants (the “Warrants”) issued to investors in non-brokered private placements that closed on May 4, June 30, and August 9, 2018 (the “2018 Private Placements”) and the amendment of the trigger price in the acceleration clause of each Warrant. A total of 2,671,116 Warrants were amended. The warrant modification expense amounted to \$639,012.

The Company performed a Black-Scholes valuation on the warrants both pre-modification and post-modification, using the assumptions below.

	May 2018 – Prior to Modification	May 2018 – Post Modification	July 2018 – Prior to Modification	July 2018 – Post Modification	August 2018 – Prior to Modification	August 2018 – Post Modification
Stock Price	CAD \$0.80	CAD \$0.80	CAD \$0.80	CAD \$0.80	CAD \$0.80	CAD \$0.80
Exercise Price	CAD \$1.15	CAD \$1.15	CAD \$1.15	CAD \$1.15	CAD \$1.15	CAD \$1.15
Number of Warrants Modified	454,811	454,811	1,262,763	1,262,763	953,544	953,544
Dividend Yield	0%	0%	0%	0%	0%	0%
Expected Volatility	106.8%	106.8%	106.8%	106.8%	106.8%	106.8%
Weighted Average Risk-Free Interest Rate	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%
Expected life (in years)	0.04	0.79	0.27	1.02	0.30	1.05

Each Warrant initially entitled the holder to purchase one common share in the capital of the Company at a price of \$1.15 CAD at any time prior to May 4, July 30, and August 9, 2020, respectively. Each of these dates has been extended by nine months from their respective expiration dates such that the Warrants will now expire on February 4, April 30, and May 9, 2021, respectively. Additionally, each Warrant originally contained an acceleration clause that allowed the Company to accelerate the expiration date of the Warrant if the closing price of the Company’s common shares was equal to or greater than \$2.50 CAD for a period of five consecutive trading days. The Company amended this clause by lowering the trigger price from \$2.50 CAD to \$1.83 CAD.

NOTE 9 - MINING EXPENDITURES

	For the Years Ended December 31,	
	2021	2020
Permits	\$ 134,261	\$ 112,730
Mining costs	578,034	275,331
Royalties	5,362	5,121
	<u>\$ 717,657</u>	<u>\$ 393,182</u>

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NOTE 10 - RELATED PARTY TRANSACTIONS AND BALANCES

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

Prior to the acquisition of Black Range, Mr. George Glasier, the Company's CEO, who is also a director ("Seller"), transferred his interest in a former joint venture with Ablation Technologies, LLC to Black Range. In connection with the transfer, Black Range issued 25 million shares of Black Range common stock to Seller and committed to pay AUD \$500,000 (USD \$362,794 as of December 31, 2021) to Seller within 60 days of the first commercial application of the kinetic separation technology. Western assumed this contingent payment obligation in connection with the acquisition of Black Range. At the date of the acquisition of Black Range, this contingent obligation was determined to be probable. Since the deferred contingent consideration obligation is probable and the amount is estimable, the Company recorded the deferred contingent consideration as an assumed liability in the amount of \$362,794 and \$392,086 as of December 31, 2021 and 2020, respectively.

The Company also owes Mr. Glasier reimbursable expenses in the amount of \$65,753 as of December 31, 2021.

NOTE 11 – INCOME TAXES

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are as follows:

	As of December 31,	
	2021	2020
Deferred tax assets:		
Net operating loss carryovers	\$ 5,815,866	\$ 5,228,266
Marketable securities	15,720	15,650
Accrued expenses	46,604	78,600
Deferred tax assets, gross	<u>5,878,190</u>	<u>5,322,516</u>
Less: valuation allowance	<u>(3,488,821)</u>	<u>(2,997,084)</u>
Deferred tax assets, net	2,389,369	2,325,432
Deferred tax liabilities:		
Property and equipment	<u>(5,098,256)</u>	<u>(5,034,319)</u>
Deferred tax liabilities, net	<u>\$ (2,708,887)</u>	<u>\$ (2,708,887)</u>

The change in the Company's valuation allowance is as follows:

	For the Years Ended December 31,	
	2021	2020
Beginning of year	\$ 2,997,084	\$ 2,427,665
Increase in valuation allowance	491,737	569,419
End of year	<u>\$ 3,488,821</u>	<u>\$ 2,997,084</u>

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NOTE 11 – INCOME TAXES, CONTINUED

A reconciliation of the provision for income taxes with the amounts computed by applying the statutory federal income tax rate to income from operations before the provision for income taxes is as follows:

	For the Years Ended December 31,	
	2021	2020
U.S. federal statutory rate	(21.0)%	(21.0)%
State and foreign taxes	(3.8)%	(3.8)%
Permanent differences		
Non-deductible expenses	0%	2.0%
Valuation allowance	24.8%	22.8%
Effective income tax rate	0%	0%

The Company has net operating loss carryovers of approximately \$23,451,072 for federal and state income tax purposes and net operating loss carryovers of \$12,104,429 for Canadian provincial tax purposes which begin to expire in 2026. The ultimate realization of the net operating loss is dependent upon future taxable income, if any, of the Company.

Based on losses from inception, the Company determined that as of December 31, 2021 it is more likely than not that the Company will not realize benefits from the deferred tax assets. The Company will not record income tax benefits in the consolidated financial statements until it is determined that it is more likely than not that the Company will generate sufficient taxable income to realize the deferred income tax assets. As a result of the analysis, the Company determined that a valuation allowance against the deferred tax assets was required of \$3,488,821 and \$2,997,084 as of December 31, 2021 and 2020, respectively.

Internal Revenue Code (“IRC”) Section 382 imposes limitations on the use of net operating loss carryovers when the share ownership of one or more 5% shareholders (shareholders owning 5% or more of the Company’s outstanding capital stock) has increased on a cumulative basis over a period of three years by more than 50 percentage points. Management cannot control any ownership changes that occur. Accordingly, there is a risk of an ownership change beyond the control of the Company that could trigger a limitation of the use of the loss carryover. The Company has analyzed the issuances of common shares during the years ended December 31, 2021 and 2020 and does not believe such change of control occurred. If such ownership change under IRC section 382 had occurred, such change would substantially limit the Company’s ability to utilize its net operating loss carryforwards in the future.

NOTE 12 – FINANCIAL INSTRUMENTS

Fair Values

The Company’s financial instruments consist of cash, restricted cash, accounts payable, contingent consideration and accrued liabilities. The fair values of these financial instruments approximate their carrying values due to the short-term maturity of these instruments. The Company’s financial instruments also incorporate marketable securities that are adjusted to fair value at each balance sheet date based on quoted prices which are considered level 1 inputs. The reclamation deposits, which are reflected in restricted cash on the consolidated balance sheets, are deposits mainly invested in certificates of deposit at major financial institutions, and their fair values are estimated to approximate their carrying values. There were no transfers of financial instruments between Levels 1, 2, and 3 during the years ended December 31, 2021 and 2020.

Foreign Currency Risk

Foreign currency risk is the risk that changes in the rates of exchange on foreign currencies will impact the financial position or cash flows of the Company. The Company’s reporting currency is the United States dollar. The functional currency for Western standalone entity is the Canadian dollar. The Company is exposed to foreign currency risks in relation to certain activity that is to be settled in Canadian funds. Management monitors its foreign currency exposure regularly to minimize the risk of an adverse impact on its cash flows.

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NOTE 12 – FINANCIAL INSTRUMENTS, CONTINUED

Concentration of Credit Risk

Concentration of credit risk is the risk of loss in the event that certain counterparties are unable to fulfil their obligations to the Company. The Company limits its exposure to credit loss on its cash and restricted cash by placing its cash with high credit quality financial institutions.

Liquidity Risk

Liquidity risk is the risk that the Company's consolidated cash flows from operations will not be sufficient for the Company to continue operating and discharge its liabilities. The Company is exposed to liquidity risk as its continued operation is dependent upon its ability to obtain financing, either in the form of debt or equity, or achieve profitable operations in order to satisfy its liabilities as they come due. As of December 31, 2021, the Company had a working capital of \$4,492,169 and cash on hand of \$880,821.

Market Risk

Market risk is the risk that fluctuations in the market prices of minerals will impact the Company's future cash flows. The Company is exposed to market risk on the price of uranium and vanadium, which will determine its ability to build and achieve profitable operations, the amount of exploration and development work that the Company will be able to perform, and the number of financing opportunities that will be available. Management believes that it would be premature at this point to enter into any hedging or forward contracts to mitigate its exposure to specific market price risks.

NOTE 13 – COVID-19

The world has been, and continues to be, impacted by COVID-19 pandemic. COVID-19, and measures to prevent its spread, impacted our business in a number of ways. The impact of these disruptions and the extent of their adverse impact on the Company's financial and operating results will be dictated by the length of time that such disruptions continue, which will, in turn, depend on the currently unpredictable duration and severity of the impacts of COVID-19, and among other things, the impact of governmental actions imposed in response to COVID-19 and individuals' and companies' risk tolerance regarding health matters going forward and developing strain mutations. To date, COVID-19 has primarily caused Western delays in reporting, regulatory matters, and operations. Most notably, the Company initiated a request for Temporary Cessation status for the Sunday Mine Complex in August 2020 as the mines had not been restarted within the 180-day window due to the direct and indirect impacts of the COVID-19 pandemic. The Van 4 Mine reclamation process was delayed because of COVID-19 pandemic lockdowns. The need to observe quarantine periods also caused a limited loss of manpower and delay to the 2021/2022 Sunday Mine Complex project. The COVID-19 pandemic has also limited Western's participation in industry and investor conference events during 2020 and 2021. The Company is continuing to monitor COVID-19 and its subvariants and the potential impact of the pandemic on the Company's operations.

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NOTE 14 – SUBSEQUENT EVENTS

Private Placement

On January 20, 2022, the Company closed a non-brokered private placement of 2,495,575 units at a price of CAD \$1.60 per unit. The aggregate gross proceeds raised in the private placement amounted to CAD \$3,992,920. Each unit consisted of one Share plus one Warrant. Each Warrant entitled the holder to purchase one Share at a price of CAD \$2.50 per Share for a period of three years following the closing date of the private placement. A total of 2,495,575 Shares and 2,495,575 Warrants were issued in the private placement.

Oil and Gas Royalty

On January 31, 2022, the operator of the Weld County Colorado oil and gas pooled trust issued the first cumulative royalty payment check in the amount of \$207,552 for August 2021 through December 2021 sales. Royalty checks will subsequently be received monthly. For the year ended December 31, 2021, this revenue was recognized within lease and royalty revenue on the consolidated statements of operations and comprehensive loss. As of December 31, 2021, this amount was included within other current assets on the consolidated balance sheets.

Uranium Supply Agreement Delivery

On April 13, 2022, in satisfaction of the Year 5 delivery under its supply contract, the Company delivered 125,000 lbs of uranium concentrate from its prepaid uranium concentrate inventory. This delivery of uranium concentrate resulted in a sale of \$7,130,000, at a price of approximately \$57 per pound. The Company expects to receive the cash from this sale in May 2022.

Exercise of Warrants

Subsequent to December 31, 2021 through April 13, 2022, the Company received CAD \$2,272,610 and issued 1,352,947 shares of common stock pursuant to the exercise of warrants.