



Western Copper Corporation

Western Copper Corporation
(an exploration stage company)

Consolidated Financial Statements
MARCH 31, 2010

Unaudited – prepared by management

(expressed in Canadian dollars)

NOTICE TO READER:

These interim consolidated financial statements have not been reviewed by the Company's external auditors. These statements have been prepared by and are the responsibility of the Company's management. This notice is being provided in accordance with National Instrument 51-102 - Continuous Disclosure Obligations.

CONSOLIDATED BALANCE SHEETS

Expressed in Canadian dollars		March 31, 2010	December 31, 2009
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	-	551,610	3,436,131
Short-term investments	4	10,246,915	10,231,048
Other receivables	-	127,294	83,833
Prepaid expenses	-	428,974	44,714
CURRENT ASSETS		11,354,793	13,795,726
RECLAMATION BOND	6a	80,300	80,300
PROPERTY AND EQUIPMENT	5	191,537	209,506
MINERAL PROPERTIES	6	75,376,844	72,790,644
ASSETS		87,003,474	86,876,176
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable and Accrued Liabilities	-	1,689,961	1,097,409
FUTURE INCOME TAX	-	12,472,501	9,661,846
LIABILITIES		14,162,462	10,759,255
SHAREHOLDERS' EQUITY			
SHARE CAPITAL	7	75,650,170	78,252,251
CONTRIBUTED SURPLUS	-	26,009,461	25,921,463
DEFICIT	-	(28,818,619)	(28,056,793)
SHAREHOLDERS' EQUITY		72,841,012	76,116,921
LIABILITIES + SHAREHOLDERS' EQUITY		87,003,474	86,876,176
Commitments	10		

Approved by the Board of Directors

"Robert Gayton"
Director

"Dale Corman"
Director

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

For the three months ended March 31,
Expressed in Canadian dollars

		2010 \$	2009 \$
	Note		
ADMINISTRATIVE EXPENSES			
Accounting and legal	-	49,584	46,532
Filing and regulatory fees	-	43,206	16,820
Office and administration	-	559,090	461,230
Promotion and travel	-	125,772	74,799
LOSS BEFORE OTHER ITEMS		777,652	599,381
OTHER ITEMS			
Interest income	-	(18,236)	(78,513)
Foreign exchange	-	2,410	1,905
LOSS AND COMPREHENSIVE LOSS		761,826	522,773
BASIC AND DILUTED LOSS PER SHARE		0.01	0.01
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUSTANDING		79,351,003	72,819,036

CONSOLIDATED STATEMENTS OF CASH FLOW

For the three months ended March 31, Expressed in Canadian dollars		2010 \$	2009 \$
Cash flows provided by (used in)	Note		
OPERATING ACTIVITIES			
Loss for the period	-	(761,826)	(522,773)
ITEMS NOT AFFECTING CASH			
Amortization	-	4,292	10,904
Stock-based compensation	9	82,822	74,952
Donation of common shares	7b	117,900	-
ITEMS NOT AFFECTING CASH		205,014	85,856
Change in non-cash working capital items	-	(530,376)	1,542
OPERATING ACTIVITIES		(1,087,188)	(435,375)
FINANCING ACTIVITIES			
Issuance costs - Donation of common shares	7b	(2,217)	-
Exercise of warrants	8a	48,750	-
Exercise of stock options	8b	15,500	-
FINANCING ACTIVITIES		62,033	-
INVESTING ACTIVITIES			
Mineral property expenditures	-	(1,859,366)	(504,302)
INVESTING ACTIVITIES		(1,859,366)	(504,032)
DECREASE IN CASH AND CASH EQUIVALENTS		(2,884,521)	(939,677)
Cash and cash equivalents – Beginning		3,436,131	5,037,204
CASH AND CASH EQUIVALENTS – ENDING		551,610	4,097,527

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Expressed in Canadian dollars	Number of Shares	Amount \$	Contributed Surplus \$	Deficit \$	Shareholders' Equity \$
DECEMBER 31, 2008	72,819,036	71,951,130	22,698,985	(26,196,636)	68,453,479
Private placement – July 10	4,000,000	4,000,000	-	-	4,000,000
Issuance costs	-	(355,320)	-	-	(355,320)
Agent warrants	-	(114,960)	114,960	-	-
Investor warrants	-	(813,200)	813,200	-	-
Private placement – December 4	2,150,000	5,375,000	-	-	5,375,000
Issuance costs	-	(421,102)	-	-	(421,102)
Agent warrants	-	(89,440)	89,440	-	-
Investor warrants	-	(1,848,495)	1,848,495	-	-
Exercise of warrants	201,000	251,250	-	-	251,250
Transfer of value on exercise of warrants	-	96,279	(96,279)	-	-
Exercise of stock options	105,000	106,583	-	-	106,583
Transfer of value on exercise of stock options	-	114,526	(114,526)	-	-
Stock-based compensation	-	-	567,188	-	567,188
Loss and comprehensive loss	-	-	-	(1,860,157)	(1,860,157)
DECEMBER 31, 2009	79,275,036	78,252,251	25,921,463	(28,056,793)	76,116,921
Donation of common shares	90,000	117,900	-	-	117,900
Issuance costs	-	(2,217)	-	-	(2,217)
Future income tax liability recorded pursuant to 2009 flow-through financings (note 7c)	-	(2,810,655)	-	-	(2,810,655)
Exercise of warrants	39,000	48,750	-	-	48,750
Transfer of value on exercise of warrants	-	18,681	(18,681)	-	-
Exercise of stock options	25,000	15,500	-	-	15,500
Transfer of value on exercise of stock options	-	9,960	(9,960)	-	-
Stock-based compensation	-	-	116,639	-	116,639
Loss and comprehensive loss	-	-	-	(761,826)	(761,826)
MARCH 31, 2010	79,429,036	75,650,170	26,009,461	(28,818,619)	72,841,012

1. NATURE OF OPERATIONS

Western Copper Corporation (“Western Copper” or the “Company”) is a mineral exploration company with a primary focus of advancing its mineral properties towards production. All of Western Copper’s mineral properties are located in Canada.

To date, the Company has not earned any production revenue. The recoverability of the amounts shown for mineral property assets is dependent upon the existence of economically recoverable reserves and the Company’s ability to secure and maintain title and beneficial interest in the properties, to obtain the necessary financing to continue the exploration and future development of the properties, or to realize the carrying amount through a sale.

2. BASIS OF PRESENTATION

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for the preparation of interim statements. Accordingly, these interim statements do not contain all the information required for annual financial statements and should be read in conjunction with the audited annual consolidated financial statements of Western Copper Corporation as at, and for the year ended, December 31, 2009. These consolidated financial statements follow the same accounting policies and methods of application as the December 31, 2009 audited annual consolidated financial statements of Western Copper Corporation, except as described in note 3.

3. CHANGE IN ACCOUNTING POLICIES

The Company has elected to adopt the following standards effective January 1, 2010 so that its accounting policies are more closely aligned with International Financial Reporting Standards during the year ending December 31, 2010.

a. Business combinations

Section 1582, Business Combinations, replaces Section 1581, Business Combinations and establishes standards for the accounting for business combinations. It provides the Canadian equivalent to International Financial Reporting Standard IFRS 3, Business Combinations. The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period after adoption. The adoption of this standard had no effect on the Company’s financial statements.

b. Consolidated financial statements and non-controlling interests

Section 1601, Consolidated Financial Statements, and Section 1602, Non-Controlling Interests, replace Section 1600, Consolidated Financial Statements. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of International Financial Reporting Standard IAS27, Consolidated and Separate Financial Statements. The adoption of this standard had no effect on the Company’s financial statements.

4. SHORT-TERM INVESTMENTS

	March 31, 2010	December 31, 2009
Expressed in Canadian dollars	\$	\$
Guaranteed Investment Certificates	10,225,000	10,225,000
Accrued interest	21,915	6,048
SHORT-TERM INVESTMENTS	10,246,915	10,231,048

Short-term investments consist of Guaranteed Investment Certificates held with Canadian chartered banks. All certificates are redeemable in full or in portion at the Company's option without penalty. Interest is paid on amounts redeemed subsequent to 30 days from the date of acquisition of the investment. At March 31, 2010 all short-term investments had been held for more than 30 days.

5. PROPERTY AND EQUIPMENT

	March 31, 2010		
	Cost	Accumulated amortization	Net book Value
Expressed in Canadian dollars	\$	\$	\$
Computer equipment	69,634	68,477	1,157
Field equipment	273,534	95,738	177,796
Furniture and office equipment	24,486	23,443	1,043
Leasehold improvements	63,203	63,203	-
Vehicles	27,699	16,158	11,541
PROPERTY AND EQUIPMENT	458,556	267,019	191,537

	December 31, 2009		
	Cost	Accumulated amortization	Net book value
Expressed in Canadian dollars	\$	\$	\$
Computer equipment	69,634	67,461	2,173
Field equipment	273,534	82,061	191,473
Furniture and office equipment	24,486	22,475	2,011
Leasehold improvements	63,203	63,203	-
Vehicles	27,699	13,850	13,849
PROPERTY AND EQUIPMENT	458,556	249,050	209,506

6. MINERAL PROPERTIES

	Canada				TOTAL
	Yukon		British Columbia	Northwest Territories	
	Carmacks	Casino	Island Copper	Redstone	
Expressed in Canadian dollars	\$	\$	\$	\$	\$
DECEMBER 31, 2008	14,645,143	20,821,505	18,088,325	12,147,609	65,702,582
Advance royalty	100,000	-	-	-	100,000
Claims maintenance	4,408	10,363	-	40,199	54,970
Detailed engineering	93,945	-	-	-	93,945
Engineering studies	1,470	112,991	-	-	114,461
Exploration	-	3,711,996	(331,310)	161,970	3,542,656
Future income tax	42,427	46,434	-	3,767	92,628
Permitting	673,916	1,652,334	-	2,162	2,328,412
Reclamation obligation	80,300	-	-	-	80,300
Salary and wages	215,625	224,775	-	22,500	462,900
Stock-based compensation	98,997	108,346	-	10,447	217,790
DECEMBER 31, 2009	15,956,231	26,688,744	17,757,015	12,388,654	72,790,644
Claims maintenance	-	7,095	-	27,618	34,713
Detailed engineering	18,638	-	-	-	18,638
Engineering studies	-	175,255	-	-	175,255
Exploration	-	698,075	3,000	44,504	745,579
Permitting	356,517	1,105,681	-	-	1,462,198
Salary and wages	67,125	48,875	-	-	116,000
Stock-based compensation	18,749	15,068	-	-	33,817
MARCH 31, 2010	16,417,260	28,738,793	17,760,015	12,460,776	75,376,844

a. Carmacks (100% - Yukon, Canada)

The Carmacks Copper Project is an oxide copper deposit that is located in Yukon, Canada.

In 2001, the Carmacks Copper Project was written down to its estimated fair value based on feasibility study information available and what management believed the property could be sold for at that time. In April 2007, Western Copper released the results of its updated feasibility study on the Carmacks Copper Project.

Western Copper expensed all ongoing costs related to exploration of the Carmacks Copper Project prior to the release of the results of the updated feasibility study. Since the release of the feasibility study, the Company has been capitalizing costs incurred on the project.

In April 2009, the Company obtained the Quartz Mining License relating to the Carmacks Copper Project. As a result, Western Copper was required to provide security in the amount of \$80,300 representing the estimated reclamation cost for work performed to date on the property. The Company holds a Guaranteed Investment Certificate in this amount in safekeeping for the Yukon Government. The security will be released once Western Copper performs its obligations pursuant to the Quartz Mining License. The estimated cost of reclamation has been accrued as a current liability and has been capitalized to the Carmacks Copper Project.

Any production from the Carmacks Copper Project is subject to either a 15% net profits interest or a 3% net smelter royalty, at Western Copper's election. If Western Copper elects the net smelter royalty, it has the right to purchase the royalty for \$2.5 million, less any advance royalty payments made to that date. The Company is required to make an advance royalty payment of \$100,000 in any year in which the average daily copper price reported by the London Metal Exchange is US\$1.10 per pound or greater. At March 31, 2010, Western Copper had made \$700,000 in advance royalty payments.

b. Casino (100% - Yukon, Canada)

The Casino porphyry copper-gold-molybdenum property is located in west-central Yukon. The results of the pre-feasibility study were announced in June 2008.

Should it make a production decision, Western Copper is required to make a cash payment of \$1 million. Production on the claims is also subject to a 5% net profits interest.

c. Island Copper/Hushamu (100% - British Columbia, Canada)

The Island Copper property consists of three blocks of mineral claims located on northern Vancouver Island. The mineral claim blocks are referred to as the Hushamu claims, the Apple Bay claims, and the Rupert Block.

In 2008, Western Copper signed an option agreement with IMA Exploration Inc. ("IMA"). The agreement gave IMA the option to earn up to a 70% interest in the Island Copper property. On September 30, 2009, following a merger with two other companies, IMA changed its name to Kobex Minerals Inc. ("Kobex").

Kobex has spent the \$1.9 million minimum required in the first year of the option period. If Kobex spends an additional \$13.1 million on the property and completes a pre-feasibility study on the Hushamu deposit by August 2011, it will earn a 49% interest in the project. Kobex can earn an additional 16% by funding a subsequent feasibility study by August 2012 and an additional 5% by completing mine permitting. At March 31, 2010, Kobex had not earned any interest in the Island Copper property.

Should a production decision be made on the Hushamu claims, Western Copper is required to make a cash payment of \$1 million to an unrelated third party within 60 days of the production decision. These mineral claims are also subject to a 10% net profits interest.

Should a production decision be made on the Apple Bay claims, Western Copper is required to pay \$800,000 in cash or in Western Copper stock to the previous owner of the claims. The payment method is at the election of Western Copper. The previous owner also maintains the right to explore for non-metallic minerals on the Apple Bay claims.

d. Redstone (100% - Northwest Territories, Canada)

The Redstone property comprises five mining leases and 16 mineral claims.

Should production be achieved, the five mining leases are subject to a net smelter royalty of between 3-4% depending on the monthly average of the final daily spot price of copper reported on the New York Commodities Exchange relating to each production month, as follows:

- 3% if the price is less than, or equal to US\$0.75 per pound;
- 3.5% if the price is greater than US\$0.75 per pound, but less than or equal to US\$1.00 per pound; and
- 4% if the price is greater than US\$1.00 per pound.

7. SHARE CAPITAL

a. Share capital

Authorized	Unlimited Class A voting shares with a par value of \$0.00001 Unlimited common shares without par value Unlimited number of preferred shares without par value
------------	--

Issued and outstanding	79,429,036 common shares
------------------------	--------------------------

b. Donation of common shares

On February 19, 2010, Western Copper issued and donated 90,000 common shares to the University of British Columbia. The Company calculated the fair value of the common shares based on the market price of the common shares on the issuance date. On February 19, 2010, the closing price was \$1.31 per common share. Western Copper recorded a total of \$117,900 as a donation expense. This amount, less issuance costs, was credited to share capital.

c. Financing

On July 10, 2009, Western Copper issued 4,000,000 units at a price of \$1.00. Each unit comprised of one flow-through common share of the Company and one-half of one warrant. Each whole warrant ("investor warrant") is exercisable for one non flow-through common share of the Company at a price of \$1.25 per common share and expires three years following closing. If, commencing on the date that is four months plus one day following the closing of the transaction, the weighted average trading price of the Company's common shares is at a price equal to or greater than \$2.00 for a period of twenty trading days, the Company has the right to accelerate the expiry date of the investor warrants by giving thirty days written notice to the holder.

The agent received a cash commission equal to 6.0% of the gross proceeds and that number of warrants ("agent warrants") which is equal to 6.0% of the number of units sold. Each agent warrant is exercisable for one non flow-through common share of the Company at a price of \$1.25 per common share and expires two years following closing. If, commencing on the date that is four months plus one day following the closing of the transaction, the weighted average trading price of the Company's common shares is at a price equal to or greater than \$1.75 for a period of fifteen consecutive trading days, the Company has the right to accelerate the expiry date of the agent's warrants by giving thirty days written notice to the agent.

The fair value assigned to the agent warrants is \$114,960. The fair value was calculated using the Black-Scholes option pricing model on the closing date of the transaction based on the following assumptions:

Expected stock price volatility	110%
Expected term, in years	2.0
Average risk-free interest rate	1.33%
Expected dividend yield	-

The fair value of the investor warrants was calculated on the closing date of the transaction by using the Black-Scholes option pricing model based on the following assumptions:

Expected stock price volatility	127%
Expected term, in years	3.0
Average risk-free interest rate	1.33%
Expected dividend yield	-

On July 10, 2009, the closing price was \$0.85 per common share.

	Total	Common shares	Investor warrants
Expressed in Canadian dollars	\$	\$	\$
Calculated fair value	4,417,800	3,400,000	1,017,800
Proportional share of calculated fair value		77%	23%
Gross proceeds	4,000,000	3,078,455	921,545
Share issuance costs (including agent warrants)	(470,280)	(361,935)	(108,345)
NET AMOUNT ALLOCATED	3,529,720	2,716,520	813,200

On December 4, 2009, Western Copper issued 2,150,000 units at a price of \$2.50. Each unit was comprised of one flow-through common share of the Company and one warrant ("investor warrant"). Each warrant is exercisable for one non flow-through common share of the Company at a price of \$2.60 per common share and expires three years following closing. If, commencing on the date that is four months plus one day following the closing of the transaction, the weighted average trading price of the Company's common shares is at a price equal to or greater than \$5.00 for twenty consecutive trading days, the Company has the right to accelerate the expiry date of the investor warrants by giving thirty days written notice to the holder.

The agent received a cash commission equal to 6.0% of the gross proceeds and that number of warrants ("agent warrants") which is equal to 4.0% of the number of units sold. Each agent warrant is exercisable for one non flow-through common share of the Company at a price of \$2.50 per common share and expires two years following closing. If, commencing on the date that is four months plus one day following the closing of the transaction, the weighted average trading price of the Company's common shares is at a price equal to or greater than \$4.00 for a period of fifteen consecutive trading days, the Company has the right to accelerate the expiry date of the agent's warrants by giving thirty days written notice to the agent.

The fair value assigned to the agent warrants was \$89,440. The fair value was calculated using the Black-Scholes option pricing model on the closing date of the transaction based on the following assumptions:

Expected stock price volatility	132%
Expected term, in years	2.0
Average risk-free interest rate	1.27%
Expected dividend yield	-

The fair value of the investor warrants was calculated on the closing date of the transaction by using the Black-Scholes option pricing model based on the following assumptions:

Expected stock price volatility	114%
Expected term, in years	3.0
Average risk-free interest rate	1.73%
Expected dividend yield	-

On December 4, 2009, the closing price was \$1.76 per common share.

	Total	Common shares	Investor warrants
Expressed in Canadian dollars	\$	\$	\$
Calculated fair value	6,127,500	3,784,000	2,343,500
Proportional share of calculated fair value		62%	38%
Gross proceeds	5,375,000	3,332,500	2,042,500
Share issuance costs (including agent warrants)	(510,542)	(316,537)	(194,005)
NET AMOUNT ALLOCATED	4,864,458	3,015,963	1,848,495

Western Copper renounced the flow-through expenditures related to the 2009 financings in January and February 2010. As a result, the Company recorded a future income tax liability of \$2,810,655 during the three months ended March 31, 2010. This amount was also debited to share capital.

8. WARRANTS AND STOCK OPTIONS

a. Warrants

A summary of the Company's warrants outstanding at March 31, 2010 and the changes for the period then ended, is presented below:

	Number of warrants	Weighted average exercise price
Expressed in Canadian dollars		\$
DECEMBER 31, 2009	4,275,000	1.95
Exercised	(39,000)	1.25
MARCH 31, 2010	4,236,000	1.96

Warrants outstanding at March 31, 2010 are as follows:

Warrants outstanding, by exercise price	Number of warrants	Weighted average exercise price	Average remaining contractual life
Expressed in Canadian dollars		\$	years
\$1.25	2,000,000	1.25	2.28
\$2.50	86,000	2.50	1.68
\$2.60	2,150,000	2.60	2.68
MARCH 31, 2010	4,236,000	1.96	2.47

b. Stock options

Based on the Company's Stock Option Plan, the Company may issue stock options for the purchase of up to 10% of issued capital. The exercise price of the stock options shall be greater than, or equal to, the market value of the Company's common shares on the last trading day immediately preceding the date of grant. Stock options vest over a two year period from the date of grant unless otherwise determined by the directors. The maximum stock option term is 10 years. At March 31, 2010, the Company could issue an additional 3,876,069 stock options. Of the total stock options outstanding at March 31, 2010, 145,000 are inherited in connection with a previous acquisition. These stock options are not considered when calculating the total number of stock options available for grant under the Company's Stock Option Plan.

A summary of the Company's stock options outstanding at March 31, 2010 and the changes for the period then ended, is presented below:

	Number of Stock options	Weighted average exercise price
Expressed in Canadian dollars		\$
DECEMBER 31, 2009	4,136,834	1.39
Granted	100,000	1.90
Exercised	(25,000)	0.62
MARCH 31, 2010	4,211,834	1.41

Stock options outstanding at March 31, 2010 are as follows:

Stock options outstanding, by exercise price	Number of stock options	Weighted average exercise price	Average remaining contractual life
Expressed in Canadian dollars		\$	years
\$0.36 - 0.97	1,230,167	0.67	2.77
\$1.25 – 1.39	1,056,667	1.27	2.88
\$1.88 – 2.02	1,925,000	1.96	1.82
MARCH 31, 2010	4,211,834	1.41	2.36

Of the total stock options outstanding, 2,938,496 were vested and exercisable at March 31, 2010. The weighted average exercise price of vested stock options is \$1.60 and the average remaining contractual life is 1.63 years.

9. STOCK-BASED COMPENSATION

Stock-based compensation has been allocated to the following line items:

For the three months ended March 31, Expressed in Canadian dollars	2010 \$	2009 \$
STATEMENT OF LOSS AND COMPREHENSIVE LOSS		
ADMINISTRATIVE EXPENSES		
Office and administration	74,382	65,790
Promotion and Travel	8,440	9,162
	82,822	74,952
BALANCE SHEET		
MINERAL PROPERTIES		
Carmacks	18,749	25,002
Casino	15,068	29,427
Redstone	-	4,375
	33,817	58,804
STOCK-BASED COMPENSATION	116,639	133,756

The Company last granted stock options on March 30, 2010. At that time, Western Copper granted 100,000 stock options to a director at \$1.90 per common share. The fair value assigned to the stock options was \$149,335.

The fair value of stock options granted in 2010 was calculated using the Black-Scholes option pricing model and the following assumptions:

<u>ASSUMPTION</u>	<u>March 30, 2010</u>
Expected stock price volatility	107%
Expected option term, in years	5.0
Average risk-free interest rate	2.92%
Expected dividend yield	-

10. COMMITMENTS

The Company has an agreement to lease office space in Vancouver, British Columbia until May 31, 2014. The total amount of payments remaining during the course of the agreement as at March 31, 2010 is \$765,829. Of this amount, \$179,633 is due within the next twelve months.

The Company has an agreement to lease office space in the Whitehorse, Yukon until December 31, 2011. The total amount of payments remaining during the course of the agreement as at March 31, 2010 is \$47,725. Of this amount, \$27,271 is due within the next twelve months.

Mineral property commitments are described in note 6. Spending commitments required pursuant to the private placement of flow-through units are described in note 12.

11. SEGMENTED INFORMATION

a. Industry information

The Company operates in one reportable operating segment: the acquisition, exploration, and future development of resource properties.

b. Geographic information

All interest is earned in Canada. All assets are held in Canada.

12. CAPITAL DISCLOSURE AND FINANCIAL INSTRUMENT RISKS

The Company is in the exploration stage. It is the Company's objective to safeguard its ability to continue as a going concern so that it can continue to explore and develop its projects. There was no change in the Company's approach to capital management during the period. The Company considers capital to be equity attributable to common shareholders, comprised of share capital, contributed surplus, and deficit.

The Company's principal source of funds is the issuance of common shares. To facilitate the management of its capital requirement, Western Copper prepares annual expenditure budgets that are approved by the Board of Directors. The budgets are updated and re-approved as necessary. The Company monitors its cash position and its short-term investments on a regular basis to determine whether sufficient funds are available to meet its short-term and long-term corporate objectives. The Company also seeks to provide liquidity and limit credit risk by acquiring investments that are guaranteed by the Canadian government or by a Canadian chartered bank and that are redeemable in portion or in full at the Company's option without penalty.

Western Copper has no debt and does not pay dividends. Its only capital requirement is that it must spend approximately \$5.1 million on qualifying Canadian exploration expenditures by December 31, 2010. Otherwise, the Company is required to pay the investors who purchased flow-through shares the difference between the amount of tax benefit that the investors would have realized had the Company incurred all expenditures renounced to investors in 2009 by December 31, 2010 and the amount that the investors actually realized.

a. Market and liquidity risk

The Company's principal source of funds is the issuance of common shares. It uses the capital raised from the issuance of its common shares to explore and develop its mineral properties with the goal of increasing the price of the Company's common shares. The Company's common shares are publicly traded. As such, the price of its common shares is susceptible to factors beyond management's control including, but not limited to, fluctuations in commodity prices and foreign exchange rates and changes in the general market outlook. Should Western Copper require funds during a time when the price of its common shares is depressed, it may be required to accept significant dilution to maintain enough liquidity to continue operations.

b. Credit risk

Financial instruments that potentially subject the Company to credit risk consist primarily of cash and cash equivalents and short-term investments. To limit its credit risk, the Company uses a restrictive investment policy. It deposits cash and cash equivalents in Canadian chartered banks and purchases short-term investments that are guaranteed by the Canadian government or by Canadian chartered banks.

c. Currency risk

Western Copper raises funds in Canadian dollars. The majority of the Company's expenditures are incurred in Canadian dollars. To limit its exposure to currency risk, the Company maintains the majority of its cash and cash equivalents in Canadian dollars. The Company did not have a material amount of financial instruments denominated in foreign currencies as at March 31, 2010 or December 31, 2009.

d. Interest rate risk

The Company is exposed to interest rate risk on its cash and cash equivalents and its short-term investments. Generally, the Company's interest income will be reduced during sustained periods of lower interest rates as higher yielding cash equivalents and short-term investments mature and the proceeds are invested at lower interest rates. Changes in interest rates do not have a material effect on the Company's results of operations.