



# western

## COPPER AND GOLD

**Western Copper and Gold Corporation**  
(An exploration stage company)

**Condensed Interim Consolidated Financial Statements**  
**For the three and nine months ended September 30, 2014**

(Unaudited – prepared by management)  
(Expressed in Canadian dollars)

**NOTICE TO READER:**

These condensed 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.

**Western Copper and Gold Corporation**  
Condensed Interim Consolidated Financial Statements  
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(Expressed in Canadian dollars)

**CONSOLIDATED BALANCE SHEETS**

		September 30, 2014 \$	December 31, 2013 \$
<b>ASSETS</b>			
Cash and cash equivalents		9,729,333	6,044,475
Short-term investments	3	9,062,005	17,162,992
Other assets		304,294	707,699
<b>CURRENT ASSETS</b>		<b>19,095,632</b>	<b>23,915,166</b>
Exploration and evaluation assets	4	30,746,696	27,034,538
<b>ASSETS</b>		<b>49,842,328</b>	<b>50,949,704</b>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities		1,215,552	1,488,060
<b>LIABILITIES</b>		<b>1,215,552</b>	<b>1,488,060</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	5	105,084,993	104,620,174
Contributed surplus		32,424,524	32,293,888
Deficit		(88,882,741)	(87,452,418)
<b>SHAREHOLDERS' EQUITY</b>		<b>48,626,776</b>	<b>49,461,644</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>49,842,328</b>	<b>50,949,704</b>

Commitments 7

**Approved by the Board of Directors**

(signed) Robert J. Gayton Director

(signed) David Williams Director

**Western Copper and Gold Corporation**  
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**CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

	Three Months Ended September 30,		Nine months Ended September 30,	
	2014 \$	2013 \$	2014 \$	2013 \$
<b>CORPORATE EXPENSES</b>				
Filing and regulatory fees	3,114	12,132	151,510	160,578
Office and administration	84,214	70,851	194,775	186,535
Professional fees	32,009	39,125	115,940	129,894
Rent and utilities	55,608	46,568	166,911	124,681
Share-based payments	77,444	126,744	245,610	545,049
Shareholder communication and travel	81,983	86,398	375,995	395,044
Wages and benefits	172,373	218,127	638,018	692,898
<b>LOSS BEFORE OTHER ITEMS</b>	<b>506,745</b>	<b>599,945</b>	<b>1,888,759</b>	<b>2,234,679</b>
<b>OTHER ITEMS</b>				
Foreign exchange loss (gain)	(225,703)	119,001	(280,560)	(1,170,815)
Interest income	(61,405)	(79,807)	(177,876)	(168,685)
<b>LOSS AND COMPREHENSIVE LOSS</b>	<b>219,637</b>	<b>639,139</b>	<b>1,430,323</b>	<b>895,179</b>
Basic and diluted loss per share	-	0.01	0.02	0.01
Weighted average number of common shares outstanding	94,147,641	93,683,937	93,932,053	93,734,497

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**CONSOLIDATED STATEMENTS OF CASH FLOWS**

For the nine months ended September 30,	2014	2013
	\$	\$
Cash flows provided by (used in)		
<b>OPERATING ACTIVITIES</b>		
Loss and comprehensive loss	(1,430,323)	(895,179)
ITEMS NOT AFFECTING CASH		
Share-based payments	245,610	545,049
Change in non-cash working capital items	122,445	(307,273)
<b>OPERATING ACTIVITIES</b>	<b>(1,062,268)</b>	<b>(657,403)</b>
<b>FINANCING ACTIVITIES</b>		
Exercise of stock options	264,349	9,350
<b>FINANCING ACTIVITIES</b>	<b>264,349</b>	<b>9,350</b>
<b>INVESTING ACTIVITIES</b>		
Redemption (purchase) of short-term investments	8,000,000	(20,300,000)
Mineral property expenditures	(3,517,223)	(6,471,574)
<b>INVESTING ACTIVITIES</b>	<b>4,482,777</b>	<b>(26,771,574)</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>3,684,858</b>	<b>(27,419,627)</b>
Cash and cash equivalents – Beginning	6,044,475	33,517,542
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	<b>9,729,333</b>	<b>6,097,915</b>

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**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

	Number of Shares	Share Capital \$	Contributed Surplus \$	Deficit \$	Shareholders' Equity \$
<b>DECEMBER 31, 2012</b>	<b>93,782,503</b>	<b>104,603,488</b>	<b>31,494,020</b>	<b>(86,086,902)</b>	<b>50,010,606</b>
Cancellation and return to treasury (note 5)	(115,566)	-	-	-	-
Exercise of stock options	17,000	9,350	-	-	9,350
Transfer of stock option value	-	7,336	(7,336)	-	-
Share-based payments	-	-	668,677	-	668,677
Loss and comprehensive loss	-	-	-	(895,179)	(895,179)
<b>SEPTEMBER 30, 2013</b>	<b>93,683,937</b>	<b>104,620,174</b>	<b>32,155,361</b>	<b>(86,982,081)</b>	<b>49,793,454</b>
Share-based payments	-	-	138,527	-	138,527
Loss and comprehensive loss	-	-	-	(470,337)	(470,337)
<b>DECEMBER 31, 2013</b>	<b>93,683,937</b>	<b>104,620,174</b>	<b>32,293,888</b>	<b>(87,452,418)</b>	<b>49,461,644</b>
Exercise of stock options	477,666	264,349	-	-	264,349
Transfer of stock option value	-	200,470	(200,470)	-	-
Share-based payments	-	-	331,106	-	331,106
Loss and comprehensive loss	-	-	-	(1,430,323)	(1,430,323)
<b>SEPTEMBER 30, 2014</b>	<b>94,161,603</b>	<b>105,084,993</b>	<b>32,424,524</b>	<b>(88,882,741)</b>	<b>48,626,776</b>

## **Western Copper and Gold Corporation**

Notes to the Consolidated Financial Statements

Three and nine months ended September 30, 2014 (unaudited – prepared by management)

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(Expressed in Canadian dollars)

### **1. NATURE OF OPERATIONS**

Western Copper and Gold Corporation (“Western” or the “Company”) is an exploration stage company that is engaged in the exploration and development of the Casino mineral property located in Yukon, Canada (the “Casino Project”).

The Company is incorporated in British Columbia, Canada. Its head office is located at 1800 - 570 Granville Street, Vancouver, British Columbia.

The nature of the Company’s operations requires significant expenditure for the development of mineral properties. To date, Western has not received any revenue from mining operations and is considered to be in the exploration stage. The Company will continue to require additional funding for operations, permitting, and development of its Casino Project. While it has been successful raising funds in the past, there can be no assurance that it will be able to do so in the future.

### **2. BASIS OF PRESENTATION**

#### **a. Compliance with International Financial Reporting Standards**

These condensed interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, as issued by the International Accounting Standards Board (“IASB”), including International Accounting Standard 34 - Interim Financial Reporting. The condensed interim consolidated financial statements should be read in conjunction with the Company’s annual consolidated financial statements for the year ended December 31, 2013, which have been prepared in accordance with IFRS as issued by the IASB.

These financial statements were approved for issue by the Company’s board of directors on November 6, 2014.

#### **b. Accounting estimates**

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the application of policies and reported amounts of assets and liabilities and disclosures of contingent assets and contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Significant accounts that require estimates as the basis for determining the stated amounts include the recoverability of exploration and evaluation assets and environmental reclamation obligations.

The recoverability of the amounts shown for exploration and evaluation 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 or partial disposal.

**Western Copper and Gold Corporation**

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**3. SHORT-TERM INVESTMENTS**

	September 30, 2014	December 31, 2013
	\$	\$
Guaranteed Investment Certificates	9,000,000	17,000,000
Accrued interest	62,005	162,992
	<b>9,062,005</b>	<b>17,162,992</b>

**4. EXPLORATION AND EVALUATION ASSETS****Casino (100% - Yukon, Canada)**

The Casino porphyry copper-gold-molybdenum deposit is located in Yukon, Canada.

	\$
<b>DECEMBER 31, 2012</b>	<b>17,706,346</b>
Claims maintenance	13,800
Engineering	1,338,667
Exploration and camp support	564,619
Permitting	6,829,111
Salary and wages	427,227
Share-based payments	154,768
<b>DECEMBER 31, 2013</b>	<b>27,034,538</b>
Claims maintenance	3,390
Engineering	323,343
Permitting	2,757,200
Salary and wages	542,729
Share-based payments	85,496
<b>SEPTEMBER 30, 2014</b>	<b>30,746,696</b>

The Casino Project is subject to a 2.75% net smelter return royalty (the "NSR Royalty") on the future sale of any metals and minerals derived from the Casino Project, other than the Casino B claims. Should Western maintain title to any Casino B claims after the period covered by the existing option agreement or reacquire the Casino B claims in any way, the 5% net profits royalty in favour of 8248567 Canada Limited on such claims will be suspended and the NSR Royalty will apply.

Western has the option to repurchase 0.75% of the NSR Royalty (resulting in a 2.00% remaining NSR Royalty) for US\$59 million if the amount is paid on or before December 31, 2017.

As part of a separate agreement, Western is required to make a payment of \$1 million upon making a production decision on the Casino Project.

**Western Copper and Gold Corporation**

Notes to the Consolidated Financial Statements

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**5. SHARE CAPITAL****a. Authorized share capital**

Unlimited common shares without par value

Unlimited number of preferred shares without par value

**b. Share cancellation**

Pursuant to the 2006 plan of arrangement involving Glamis Gold Ltd., Western Silver Corp., and Western Copper Corp. (now Western Copper and Gold Corp.), shareholders of Western Silver Corp. were required to exchange their common shares in Western Silver Corp. for common shares of Western within six years of the plan of arrangement. The 115,566 common shares not exchanged in accordance with the plan of arrangement were cancelled and returned to treasury on May 14, 2013.

**6. STOCK OPTIONS AND SHARE-BASED PAYMENTS****a. Stock options**

Based on the stock option plan approved by the Company's shareholders at the annual general meeting held on June 21, 2012, the Company may issue stock options for the purchase of up to 10% of issued capital. The exercise price of the stock options must 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 September 30, 2014, the Company could issue an additional 2,537,159 stock options under the terms of the plan.

A summary of the Company's stock options outstanding and the changes for the periods then ended, is presented below:

	Number of Stock options	Weighted average exercise price \$
<b>DECEMBER 31, 2012</b>	<b>5,273,667</b>	<b>1.50</b>
Granted	1,750,000	0.66
Exercised	(17,000)	0.55
Cancelled	(46,667)	1.53
Expired	(528,333)	1.21
<b>DECEMBER 31, 2013</b>	<b>6,431,667</b>	<b>1.30</b>
Granted	925,000	0.89
Exercised	(477,666)	0.55
<b>SEPTEMBER 30, 2014</b>	<b>6,879,001</b>	<b>1.30</b>



**Western Copper and Gold Corporation**

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Stock options outstanding are as follows:

<b>Stock options outstanding, by exercise price</b>	<b>Number of Stock options</b>	<b>Weighted average exercise price</b>	<b>Average remaining contractual life</b>
		\$	years
\$0.60	1,617,334	0.60	3.81
\$0.79 – 0.96	3,236,667	0.82	2.93
\$1.50 – 1.85	400,000	1.67	1.24
\$2.84	1,625,000	2.84	1.79
<b>SEPTEMBER 30, 2014</b>	<b>6,879,001</b>	<b>1.30</b>	<b>2.77</b>

Of the total stock options outstanding, 4,770,660 had vested and were exercisable at September 30, 2014. The weighted average exercise price of vested stock options was \$1.54 and the average remaining contractual life was 2.12 years.

**b. Share-based payments**

The following is a summary of the most recent stock options granted by the Company and the fair value assigned to each grant. The fair value was calculated at the time of grant using the Black-Scholes option pricing model and the following inputs and assumptions:

<b>Inputs and assumptions</b>	<b>July 17, 2014</b>	<b>May 7, 2014</b>	<b>December 12, 2013</b>	<b>July 9, 2013</b>	<b>January 15, 2013</b>
Stock options granted	825,000	100,000	150,000	1,500,000	100,000
Exercise price	\$0.88	\$0.96	\$0.60	\$0.60	\$1.59
Market price	\$0.88	\$0.96	\$0.55	\$0.54	\$1.59
Expected option term (years)	3.0	3.0	3.0	3.0	3.0
Expected stock price volatility	69.5%	69.5%	71.8%	74.5%	73.4%
Average risk-free interest rate	1.11%	1.17%	1.18%	1.26%	1.25%
Expected forfeiture rate	-	-	-	-	-
Expected dividend yield	-	-	-	-	-
<b>FAIR VALUE ASSIGNED</b>	<b>\$335,000</b>	<b>\$44,000</b>	<b>\$37,500</b>	<b>\$375,000</b>	<b>\$77,000</b>

**7. COMMITMENTS**

The Company has an agreement to lease its head office space until June 29, 2016. The total amount of payments remaining during the course of the agreement as at September 30, 2014 is \$389,000. Of this amount, \$222,000 is due within the next twelve months.

The Company is required to use the proceeds received from the royalty sale completed in December 2012 for furthering the development of the Casino Project and for general working capital purposes; provided that the general working capital purposes of Western do not include the acquisition and development of any mineral properties unrelated to the Casino Project.

Other commitments related to exploration and evaluation assets are described in note 4.

## Western Copper and Gold Corporation

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### 8. RELATED PARTY TRANSACTIONS

#### a. Director and officer remuneration

The Company's related parties also include its directors and officers. The remuneration of directors and officers during the periods presented was as follows:

	Three Months Ended September 30,		Nine months Ended September 30,	
	2014 \$	2013 \$	2014 \$	2013 \$
Salaries and director fees	212,268	204,900	642,447	621,541
Share-based payments	68,856	101,559	214,424	467,957
	<b>281,124</b>	<b>306,459</b>	<b>856,871</b>	<b>1,089,498</b>

Share-based payments represent the fair value of stock options previously granted to directors and officers that was recognized during the years presented above.

#### b. Other

From October 1, 2011 to March 31, 2013, administration, accounting and other office services were provided by Ravenwolf Resource Group Ltd. ("Ravenwolf") on a cost-recovery basis. Ravenwolf was a private company owned equally by Western, NorthIsle Copper and Gold Inc. ("NorthIsle"), and Copper North Mining Corp. ("Copper North"). Effective April 1, 2013, NorthIsle and Copper North transferred their respective Ravenwolf shares to Western and, as a result, Ravenwolf became a wholly-owned subsidiary of Western. Before becoming a Western subsidiary, Ravenwolf charged the Company \$372,684 for its services for the three month period ending March 31, 2013.

### 9. SEGMENTED INFORMATION

The Company's operations are primarily directed towards the acquisition, exploration, and future development of resource properties in Canada. All interest income is earned in Canada and all assets are held in Canada.

### 10. CAPITAL MANAGEMENT

Western is a mineral exploration company with a primary focus of advancing its Casino Project towards production. Its principal source of funds is the issuance of common shares. The Company considers capital to be equity attributable to common shareholders, comprised of share capital, contributed surplus, and deficit. 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.

Western manages its capital structure based on the funds available for its operations and makes adjustments for changes in economic conditions, capital markets and the risk characteristics of the underlying assets. To maintain its objectives, the Company may attempt to issue new shares, seek debt financing, acquire or dispose of assets or change the timing of its planned exploration and development projects. There is no assurance that these initiatives will be successful.

## **Western Copper and Gold Corporation**

Notes to the Consolidated Financial Statements

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(Expressed in Canadian dollars)

To facilitate the management of its capital, Western prepares annual expenditure budgets and updates them as necessary, depending on various factors, many of which are beyond the Company's control. The Board of Directors approves all annual budgets and subsequent updates.

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 Canadian governments or by a Canadian chartered bank and that are redeemable in portion or in full at the Company's option without penalty.

There was no change in the Company's approach to capital management during the period. Western has no long-term debt and does not pay dividends.

### **11. FINANCIAL INSTRUMENT RISK**

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company has exposure to liquidity, credit, and currency risks from the use of financial instruments. Financial instruments consist of cash and cash equivalents, short-term investments, certain other assets, and accounts payable and accrued liabilities.

#### **a. Liquidity risk**

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they come due. The Company uses cash forecasts to ensure as far as possible that there is sufficient cash on hand to meet short-term business requirements. Cash is invested in highly liquid investments which are available to discharge obligations when they come due. The Company does not maintain a line of credit.

#### **b. Credit risk**

Financial instruments that potentially subject the Company to credit risk consist primarily of cash and cash equivalents and short-term investments. These financial instruments are at risk to the extent that the institutions issuing or holding them cannot redeem amounts when they are due or requested. 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 Canadian governments or by Canadian chartered banks. The carrying amount of financial assets recorded in the financial statements, net of any allowance for losses, represents Western's maximum exposure to credit risk.

#### **c. Currency risk**

Currency risk is the risk that the Company will lose significant purchasing power to operate its business as a result of changes in currency rates. The Company typically 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 aims to maintain funds in the currency that matches that of the costs incurred.

The Company had foreign currency balances totaling US\$4.2 million as at September 30, 2014. On that date, a 1% change in the exchange rate between the Canadian and US dollar would have resulted in an unrealized gain or loss of approximately \$47,000 (December 31, 2013 - \$58,000).