



western

COPPER AND GOLD

Western Copper and Gold Corporation
(An exploration stage company)

Condensed Interim Consolidated Financial Statements
For the three months ended March 31, 2018

(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
(Unaudited – prepared by management)

(Expressed in Canadian dollars)

CONSOLIDATED BALANCE SHEETS

		March 31, 2018	December 31, 2017
		\$	\$
ASSETS	Note		
Cash and cash equivalents		779,574	395,370
Short-term investments	3	5,613,161	3,704,131
Marketable securities	4	448,100	285,700
Other assets		257,800	173,857
CURRENT ASSETS		7,098,635	4,559,058
Exploration and evaluation assets	5	40,966,002	40,650,547
ASSETS		48,064,637	45,209,605
LIABILITIES			
Accounts payable and accrued liabilities		786,028	672,532
LIABILITIES		786,028	672,532
SHAREHOLDERS' EQUITY			
Share capital	6	110,890,797	108,021,796
Contributed surplus		33,181,478	32,747,685
Deficit		(96,793,666)	(96,232,408)
SHAREHOLDERS' EQUITY		47,278,609	44,537,073
LIABILITIES AND SHAREHOLDERS' EQUITY		48,064,637	45,209,605

Approved by the Board of Directors

Robert Gayton (signed) Director

Klaus Zeitler (signed) Director

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CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

For the three months ended March 31,	Note	2018 \$	2017 \$
Filing and regulatory fees		152,047	139,583
Office and administration		65,249	80,324
Professional fees		19,823	27,646
Rent and utilities		28,065	28,065
Share-based payments	8, 9	94,344	95,875
Shareholder communication and travel		106,154	113,548
Wages and benefits	9	269,032	281,661
CORPORATE EXPENSES		734,714	766,702
Foreign exchange loss (gain)		6,273	(100)
Interest income		(17,329)	(14,771)
Unrealized loss (gain) on marketable securities		(162,400)	16,700
LOSS AND COMPREHENSIVE LOSS		561,258	768,531
Basic and diluted loss per share		0.01	0.01
Weighted average number of common shares outstanding		98,300,139	95,082,546

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CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three months ended March 31,		2018	2017
		\$	\$
Cash flows provided by (used in)	Note		
OPERATING ACTIVITIES			
Loss and comprehensive loss		(561,258)	(768,531)
ITEMS NOT AFFECTING CASH			
Share-based payments		94,344	95,875
Unrealized loss (gain) on marketable securities		(162,400)	16,700
		(68,056)	112,575
Change in non-cash working capital items		8,171	(12,319)
OPERATING ACTIVITIES		(621,143)	(668,275)
FINANCING ACTIVITIES			
Private placement proceeds	6b	3,340,826	-
Private placement issuance costs	6b	(152,825)	-
Exercise of stock options	7b	-	181,000
FINANCING ACTIVITIES		3,188,001	181,000
INVESTING ACTIVITIES			
Redemption (purchase) of short-term investments		(1,913,139)	575,000
Mineral property expenditures		(269,515)	(374,858)
INVESTING ACTIVITIES		(2,182,654)	200,142
CHANGE IN CASH AND CASH EQUIVALENTS		384,204	(287,133)
Cash and cash equivalents – Beginning		395,370	611,690
CASH AND CASH EQUIVALENTS - ENDING		779,574	324,557

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CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Number of Shares	Share Capital \$	Contributed Surplus \$	Deficit \$	Shareholders' Equity \$
DECEMBER 31, 2016	94,965,602	105,963,093	32,984,958	(93,570,819)	45,377,232
Exercise of stock options	125,000	181,000	-	-	181,000
Transfer of stock option value	-	87,291	(87,291)	-	-
Share-based payments	-	-	116,541	-	116,541
Loss and comprehensive loss	-	-	-	(768,531)	(768,531)
MARCH 31, 2017	95,090,602	106,231,384	33,014,208	(94,339,350)	44,906,242
Exercise of stock options	1,563,333	1,252,333	-	-	1,252,333
Transfer of stock option value	-	538,079	(538,079)	-	-
Share-based payments	-	-	271,556	-	271,556
Loss and comprehensive loss	-	-	-	(1,893,058)	(1,893,058)
DECEMBER 31, 2017	96,653,935	108,021,796	32,747,685	(96,232,408)	44,537,073
Private Placement (note 6b)					
Gross proceeds	2,905,066	3,340,826	-	-	3,340,826
Issuance costs	-	(152,825)	-	-	(152,825)
Allocation of warrant value	-	(319,000)	319,000	-	-
Share-based payments	-	-	114,793	-	114,793
Loss and comprehensive loss	-	-	-	(561,258)	(561,258)
MARCH 31, 2018	99,559,001	110,890,797	33,181,478	(96,793,666)	47,278,609

Western Copper and Gold Corporation

Notes to the Consolidated Financial Statements

As at and for the three months ended March 31, 2018

(unaudited – prepared by management)

(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS

Western Copper and Gold Corporation (together with its subsidiaries, “Western” or the “Company”) is an exploration stage company that is directly engaged in 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 15th Floor – 1040 West Georgia Street, Vancouver, British Columbia.

The Company will need to raise additional funds to complete the development of the Casino Project. While Western has been successful in raising sufficient capital to fund its operations in the past, there can be no assurance that it will be able to do so in the future.

2. BASIS OF PRESENTATION

a. Statement of compliance

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, 2017, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the IASB.

These financial statements were approved for issue by the Company’s board of directors on May 2, 2018.

b. Accounting estimates and judgments

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 income and expenses during the reporting period. Actual results could differ from those estimates. Differences may be material.

Judgment is required in assessing whether certain factors would be considered an indicator of impairment. We consider both internal and external information to determine whether there is an indicator of impairment present and accordingly, whether impairment testing is required. Where an impairment test is required, calculating the estimated recoverable amount of the cash generating units for non-current asset impairment tests requires management to make estimates and assumptions with respect to estimated recoverable reserves or resources, estimated future commodity prices, expected future operating and capital costs, and discount rates. Changes in any of the assumptions or estimates used in determining the recoverable amount could impact the impairment analysis.

Western Copper and Gold Corporation

Notes to the Consolidated Financial Statements

As at and for the three months ended March 31, 2018

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3. SHORT-TERM INVESTMENTS

As at March 31, 2018, the Company had \$5,613,161 (December 31, 2017 - \$3,704,131) invested in Canadian dollar denominated guaranteed investment certificates, including accrued interest of \$13,161 (December 31, 2017 - \$17,270).

4. MARKETABLE SECURITIES

As at March 31, 2018, the Company held marketable securities with a total market value of \$448,100 (December 31, 2017 - \$285,700). The Company's marketable securities consist of 2.5 million common shares of NorthIsle Copper and Gold Inc. with a market value of \$425,000 (December 31, 2017 - \$250,000) and 420,000 common shares of Copper North Mining Corp. with a market value of \$23,100 (December 31, 2017 - \$35,700).

5. EXPLORATION AND EVALUATION ASSETS

a. Casino (100% - Yukon, Canada)

The Company's only exploration and evaluation asset is the wholly-owned Casino Project. The Casino Project, a large copper-gold porphyry deposit, is located in Yukon, Canada.

All claims comprising the Casino Project are subject to a 2.75% net smelter returns royalty on the future sale of any metals and minerals derived therefrom.

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.

b. Exploration and evaluation expenditures

	\$
DECEMBER 31, 2016	38,722,318
Claims maintenance	10,605
Engineering	183,165
Permitting	1,317,578
Salary and wages	347,887
Share-based payments	68,994
DECEMBER 31, 2017	40,650,547
Claims maintenance	1,470
Engineering	28,380
Permitting	176,745
Salary and wages	88,411
Share-based payments	20,449
MARCH 31, 2018	40,966,002

Western Copper and Gold Corporation

Notes to the Consolidated Financial Statements

As at and for the three months ended March 31, 2018

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6. SHARE CAPITAL

a. Authorized share capital

The Company is authorized to issue an unlimited number of common shares without par value and an unlimited number of preferred shares without par value.

b. Financing

On February 8, 2018, Western issued 2,905,066 units at a price of \$1.15 per unit for gross proceeds of \$3,340,826. Each unit consisted of one common share and half of a non-transferable warrant. Each whole warrant entitles the holder to purchase one additional common share at a price of \$1.75 until February 8, 2020.

The fair value assigned to the warrants was calculated using the Black-Scholes option pricing model and the following inputs and assumptions:

Inputs and assumptions	
Warrants issued	1,452,533
Exercise price	\$1.75
Market price	\$1.10
Expected term (years)	2.0
Expected share price volatility	63.8%
Average risk-free interest rate	1.83%
Expected dividend yield	-
FAIR VALUE ASSIGNED	319,000

7. WARRANTS AND STOCK OPTIONS

a. Warrants

The Company issued 1,452,533 warrants on February 8, 2018. All outstanding warrants have an exercise price of \$1.75 and a remaining contractual life of 1.86 years.

	Number of warrants	Weighted average exercise price
		\$
DECEMBER 31, 2017	-	-
Issued	1,452,533	1.75
MARCH 31, 2018	1,452,533	1.75

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Notes to the Consolidated Financial Statements

As at and for the three months ended March 31, 2018

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b. Stock options

Based on the Company's stock option plan, most recently approved by the Company's shareholders at the annual general meeting held on June 24, 2015, Western 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 March 31, 2018 the Company could issue an additional 3,530,899 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 \$
DECEMBER 31, 2016	5,971,668	0.79
Exercised	(1,688,333)	0.85
DECEMBER 31, 2017	4,283,335	0.76
Granted	2,325,000	1.20
Forfeited	(183,334)	1.16
MARCH 31, 2018	6,425,001	0.91

Stock options outstanding are as follows:

Stock options outstanding, by exercise price	Number of Stock options	Weighted average exercise price \$	Average remaining contractual life years
\$0.50	741,667	0.50	2.32
\$0.60 – 0.67	1,300,000	0.61	0.40
\$0.80 – 0.88	658,334	0.88	1.28
\$0.96	1,550,000	0.96	3.28
\$1.20	2,175,000	1.20	4.90
MARCH 31, 2018	6,425,001	0.91	2.93

Of the total stock options outstanding, 3,766,661 were vested and exercisable at March 31, 2018. The weighted average exercise price of vested stock options is \$0.73 and the average remaining contractual life is 1.73 years.

Western Copper and Gold Corporation

Notes to the Consolidated Financial Statements

As at and for the three months ended March 31, 2018

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8. SHARE-BASED PAYMENTS

The following is a summary of the fair value assigned to stock options granted by the Company in 2018. The fair value was calculated at the time of grant using the Black-Scholes option pricing model and the following inputs and assumptions. The Company did not grant stock options in 2017.

Inputs and assumptions	2018
Stock options granted	2,325,000
Exercise price	\$1.20
Market price	\$1.13
Expected option term (years)	3.0
Expected stock price volatility	59.9%
Average risk-free interest rate	1.94%
Expected forfeiture rate	-
Expected dividend yield	-
FAIR VALUE ASSIGNED	1,038,000

9. KEY MANAGEMENT COMPENSATION

The Company's related parties include its directors and officers, who are the key management of the Company. The remuneration of directors and officers was as follows:

For the three months ended March 31,	2018	2017
	\$	\$
Salaries and director fees	207,811	213,951
Share-based payments	81,282	86,718
KEY MANAGEMENT COMPENSATION	289,093	300,669

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

10. SEGMENTED INFORMATION

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

11. CAPITAL MANAGEMENT

There has been no change in the Company's approach to capital management during the three months ended March 31, 2018. Western has no debt and does not pay dividends. The Company is not subject to any externally imposed capital requirement.

12. FINANCIAL INSTRUMENT RISK

There has been no change in the Company's financial instrument risks or management's approach to those risks during the three months ended March 31, 2018.