



# western

## COPPER AND GOLD

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

**Condensed Interim Consolidated Financial Statements**  
**For the three and six months ended June 30, 2019**

(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**

	Note	June 30, 2019 \$	December 31, 2018 \$
<b>ASSETS</b>			
Cash and cash equivalents		3,777,647	3,026,385
Short-term investments	3	1,519,749	1,505,161
Marketable securities	4	175,100	252,200
Other assets		304,543	159,188
<b>CURRENT ASSETS</b>		<b>5,777,039</b>	<b>4,942,934</b>
Exploration and evaluation assets	5	43,106,620	41,946,079
<b>ASSETS</b>		<b>48,883,659</b>	<b>46,889,013</b>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities		712,722	602,206
<b>CURRENT LIABILITIES</b>		<b>712,722</b>	<b>602,206</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	6	114,944,106	111,891,213
Contributed surplus		33,673,509	33,484,162
Deficit		(100,446,678)	(99,088,568)
<b>SHAREHOLDERS' EQUITY</b>		<b>48,170,937</b>	<b>46,286,807</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>48,883,659</b>	<b>46,889,013</b>
Commitments	9		
Subsequent event	14		

**Approved by the Board of Directors**

/s/ Robert Gayton Director

/s/ Klaus Zeitler Director

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**CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019 \$	2018 \$	2019 \$	2018 \$
Filing and regulatory fees	31,583	45,393	181,914	197,440
Office and administration	66,804	57,736	116,572	122,985
Professional fees	27,046	31,846	51,892	51,669
Rent and utilities	34,365	28,064	67,229	56,129
Share-based payments (note 8, 10)	95,436	166,573	161,276	260,917
Shareholder communication and travel	133,305	258,216	218,869	364,370
Wages and benefits (note 10)	259,016	279,656	524,296	548,688
<b>CORPORATE EXPENSES</b>	<b>647,555</b>	<b>867,484</b>	<b>1,322,048</b>	<b>1,602,198</b>
Foreign exchange loss (gain)	(285)	946	(695)	7,219
Interest income	(15,756)	(24,422)	(40,343)	(41,751)
Unrealized loss (gain) on marketable securities	39,700	118,800	77,100	(43,600)
<b>LOSS AND COMPREHENSIVE LOSS</b>	<b>671,214</b>	<b>962,808</b>	<b>1,358,110</b>	<b>1,524,066</b>
Basic and diluted loss per share	0.01	0.01	0.01	0.02
Weighted average number of common shares outstanding	102,636,067	99,676,034	101,725,924	98,991,887

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**CONSOLIDATED STATEMENTS OF CASH FLOWS**

For the six months ended June 30,		2019	2018
		\$	\$
Cash flows provided by (used in)	Note		
<b>OPERATING ACTIVITIES</b>			
Loss and comprehensive loss		(1,358,110)	(1,524,066)
<b>ITEMS NOT AFFECTING CASH</b>			
Share-based payments		161,276	260,917
Unrealized loss (gain) on marketable securities		77,100	(43,600)
		238,376	217,317
Change in non-cash working capital items		16,329	261,051
<b>OPERATING ACTIVITIES</b>		<b>(1,103,405)</b>	<b>(1,045,698)</b>
<b>FINANCING ACTIVITIES</b>			
Private placement proceeds	6	3,354,300	3,340,826
Private placement issuance costs	6	(336,360)	(152,825)
Exercise of stock options	7	25,000	360,000
<b>FINANCING ACTIVITIES</b>		<b>3,042,940</b>	<b>3,548,001</b>
<b>INVESTING ACTIVITIES</b>			
Redemption of short-term investments		-	(1,313,139)
Mineral property expenditures		(1,188,273)	(763,822)
<b>INVESTING ACTIVITIES</b>		<b>(1,188,273)</b>	<b>(2,076,961)</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>		<b>751,262</b>	<b>425,342</b>
Cash and cash equivalents – Beginning		3,026,385	395,370
<b>CASH AND CASH EQUIVALENTS - ENDING</b>		<b>3,777,647</b>	<b>820,712</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, 2017</b>	<b>96,653,935</b>	<b>108,021,796</b>	<b>32,747,685</b>	<b>(96,232,408)</b>	<b>44,537,073</b>
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	-	-
Exercise of stock options	600,000	360,000	-	-	360,000
Transfer of stock option value	-	150,251	(150,251)	-	-
Share-based payments	-	-	312,899	-	312,899
Loss and comprehensive loss	-	-	-	(1,524,066)	(1,524,066)
<b>JUNE 30, 2018</b>	<b>100,159,001</b>	<b>111,401,048</b>	<b>33,229,333</b>	<b>(97,756,474)</b>	<b>46,873,907</b>
Exercise of stock options	625,000	372,500	-	-	372,500
Transfer of stock option value	-	117,665	(117,665)	-	-
Share-based payments	-	-	372,494	-	372,494
Loss and comprehensive loss	-	-	-	(1,332,094)	(1,332,094)
<b>DECEMBER 31, 2018</b>	<b>100,784,001</b>	<b>111,891,213</b>	<b>33,484,162</b>	<b>(99,088,568)</b>	<b>46,286,807</b>
Private Placement (note 6b)					
Gross Proceeds	3,727,000	3,354,300	-	-	3,354,300
Issuance costs	-	(336,360)	-	-	(336,360)
Exercise of stock options	50,000	25,000	-	-	25,000
Transfer of stock option value	-	9,953	(9,953)	-	-
Share-based payments	-	-	199,300	-	199,300
Loss and comprehensive loss	-	-	-	(1,358,110)	(1,358,110)
<b>JUNE 30, 2019</b>	<b>104,561,001</b>	<b>114,944,106</b>	<b>33,673,509</b>	<b>(100,446,678)</b>	<b>48,170,937</b>

## **Western Copper and Gold Corporation**

Notes to the Consolidated Financial Statements

As at and for the three and six months ended June 30, 2019

(unaudited – prepared by management)

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(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 15<sup>th</sup> 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, 2018, 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 August 8, 2019.

#### **b. Accounting estimates and judgments**

The preparation of financial statements in conformity with IFRS requires management to exercise judgement in the process of applying its accounting policies and to make estimates that affect the 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

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### 3. SHORT-TERM INVESTMENTS

As at June 30, 2019, the Company had \$1,519,749 (December 31, 2018 - \$1,505,161) invested in Canadian dollar denominated guaranteed investment certificates, including accrued interest of \$19,749 (December 31, 2018 - \$5,161).

### 4. MARKETABLE SECURITIES

As at June 30, 2019, the Company held marketable securities with an aggregate market value of \$175,100 (December 31, 2018 - \$252,200), consisting of 2.5 million common shares of NorthIsle Copper and Gold Inc. with a market value of \$162,500 (December 31, 2018 - \$237,500) and 420,000 common shares of Copper North Mining Corp. with a market value of \$12,600 (December 31, 2017 - \$14,700).

### 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

	\$
<b>DECEMBER 31, 2017</b>	<b>40,650,547</b>
Claims maintenance	11,445
Engineering	213,630
Permitting	594,423
Salary and wages	365,615
Share-based payments	110,419
<b>DECEMBER 31, 2018</b>	<b>41,946,079</b>
Claims maintenance	3,760
Engineering	57,461
Exploration and camp support	813,926
Permitting	98,507
Salary and wages	148,863
Share-based payments	38,024
<b>JUNE 30, 2019</b>	<b>43,106,620</b>

## Western Copper and Gold Corporation

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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 May 17, 2019, Western completed a brokered private placement of flow-through common shares (the "FT Shares"). The Company issued a total of 3,727,000 FT Shares, comprised of (i) 3,333,333 FT Shares pursuant to the base offering and (ii) 393,667 FT Shares pursuant to the agent's exercise of its option, at a price of \$0.90 per FT Share for aggregate gross proceeds of \$3,354,300. Issuance costs related to the private placement totaled \$336,360.

On February 8, 2018, Western issued 2,905,066 units at a price of \$1.15 per unit for aggregate 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. Issuance costs related to the financing totaled \$152,825. The fair value assigned to the warrants was calculated using the Black-Scholes option pricing model and the following 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%
<b>FAIR VALUE ASSIGNED</b>	<b>\$319,000</b>

### 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 0.61 years.

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

There were no changes to warrants outstanding during the three and six months ended June 30, 2019.



**Western Copper and Gold Corporation**

Notes to the Consolidated Financial Statements

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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 May 30, 2018, 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 June 30, 2019, the Company could issue an additional 3,672,765 stock options under the terms of the stock option plan.

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

	<b>Number of stock options</b>	<b>Weighted average exercise price</b> \$
<b>DECEMBER 31, 2017</b>	<b>4,283,335</b>	<b>0.76</b>
Granted	2,325,000	1.20
Exercised	(1,225,000)	0.60
Forfeited	(183,334)	1.16
<b>DECEMBER 31, 2018</b>	<b>5,200,001</b>	<b>0.98</b>
Granted	2,075,000	0.87
Exercised	(50,000)	0.50
Expired	(291,666)	0.94
Forfeited	(150,000)	1.20
<b>JUNE 30, 2019</b>	<b>6,783,335</b>	<b>0.95</b>

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
\$0.50 – 0.67	766,667	0.52	1.06
\$0.75 – 0.88	983,334	0.83	1.99
\$0.90	1,675,000	0.90	4.97
\$0.96	1,333,334	0.96	2.20
\$1.20	2,025,000	1.20	3.65
<b>JUNE 30, 2019</b>	<b>6,783,335</b>	<b>0.95</b>	<b>3.16</b>

Of the total stock options outstanding, 3,358,335 were vested and exercisable at June 30, 2019. The weighted average exercise price of vested stock options is \$0.89 and the average remaining contractual life is 1.86 years.

## Western Copper and Gold Corporation

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### 8. SHARE-BASED PAYMENTS

The following is a summary of stock options granted by the Company in 2019 and 2018 and 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.

Inputs and assumptions	June 18, 2019	April 23, 2019	February 21, 2018
Stock options granted	1,675,000	400,000	2,325,000
Exercise price	\$0.90	\$0.75	\$1.20
Market price	\$0.78	\$0.72	\$1.13
Expected option term (years)	3.0	3.0	3.0
Expected stock price volatility	51.8%	51.6%	59.9%
Average risk-free interest rate	1.36%	1.56%	1.94%
Expected forfeiture rate	-	-	-
Expected dividend yield	-	-	-
<b>FAIR VALUE ASSIGNED</b>	<b>\$409,000</b>	<b>\$100,000</b>	<b>\$1,038,000</b>

### 9. COMMITMENTS

The Company must spend approximately \$2,547,000 on qualifying Canadian exploration expenditures by December 31, 2020. Otherwise, Western is required to pay the investors who purchased flow-through shares the difference between the amount of tax benefit that they would have realized had the Company incurred all expenditures renounced in March 2020 by December 31, 2020 and the amount that the investors actually realized.

### 10. KEY MANAGEMENT COMPENSATION

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	\$	\$	\$	\$
Salaries and director fees	217,533	195,128	420,825	402,939
Share-based payments	89,771	144,251	138,889	225,533
<b>KEY MANAGEMENT COMPENSATION</b>	<b>307,304</b>	<b>339,379</b>	<b>559,714</b>	<b>628,472</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.

### 11. 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.

**Western Copper and Gold Corporation**

Notes to the Consolidated Financial Statements

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**12. CAPITAL MANAGEMENT**

There has been no change in the Company's approach to capital management during the three and six months ended June 30, 2019. Western has no debt and does not pay dividends. The Company is not subject to any externally imposed capital requirement.

**13. 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 and six months ended June 30, 2019.

**14. SUBSEQUENT EVENT**

On July 29, 2019, the Company entered into a binding agreement with Cariboo Rose Resources Ltd. ("Cariboo Rose") whereby Western will purchase the 311 mineral claims that make up the Canadian Creek Property from Cariboo Rose. Total consideration to be paid to Cariboo Rose for the Canadian Creek Property will consist of the issuance of 3 million common shares of Western, which based on the 5 day volume weighted average price of Western, represents a valuation of \$2.78 million dollars.