



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, 2022

(Expressed in Canadian dollars)

Western Copper and Gold Corporation
Condensed Interim Consolidated Financial Statements
(unaudited – prepared by management)
(Expressed in Canadian dollars)

CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS

	Note	March 31, 2022 \$	December 31, 2021 \$
ASSETS			
Cash and cash equivalents		22,145,771	30,688,210
Short-term investments	3	21,113,912	16,073,639
Marketable securities	4	1,001,880	1,104,400
Other assets		481,446	860,529
CURRENT ASSETS		44,743,009	48,726,778
Right-of-use assets		374,324	413,047
Exploration and evaluation assets	5	68,862,927	66,348,061
ASSETS		113,980,260	115,487,886
LIABILITIES			
Accounts payable and accrued liabilities		1,621,861	2,228,673
Current portion of lease obligation		177,357	171,167
Flow-through premium liability	6	651,517	759,525
CURRENT LIABILITIES		2,450,735	3,159,365
Lease obligations		223,684	262,151
LIABILITIES		2,674,419	3,421,516
SHAREHOLDERS' EQUITY			
Share capital	7	183,294,751	183,190,992
Contributed surplus		36,225,437	35,472,638
Deficit		(108,214,347)	(106,597,260)
SHAREHOLDERS' EQUITY		111,305,841	112,066,370
LIABILITIES AND SHAREHOLDERS' EQUITY		113,980,260	115,487,886

Approved by the Board of Directors

/s/ Ken Williamson Director

/s/ Klaus Zeitler Director

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CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

For the three months ended March 31,	Note	2022 \$	2021 \$
Depreciation		38,723	-
Filing and regulatory fees		206,945	172,916
Office and administration		163,476	242,458
Professional fees		55,479	50,249
Rent and utilities		-	35,632
Share-based payments	9b	569,736	196,763
Shareholder communication and travel		164,182	179,647
Wages and benefits	10	492,590	219,282
CORPORATE EXPENSES		1,691,131	1,096,947
Foreign exchange loss		(2,447)	(2,003)
Interest income		(66,109)	(38,340)
Flow-through premium recovery	6	(108,008)	(1,408)
Unrealized loss on marketable securities	4	102,520	41,700
LOSS AND COMPREHENSIVE LOSS		1,617,087	1,096,896
Basic and diluted loss per share		0.01	0.01
Weighted average number of common shares outstanding		151,432,236	135,669,857

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CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three months ended March 31,		2022	2021
		\$	\$
Cash flows provided by (used in)	Note		
OPERATING ACTIVITIES			
Loss and comprehensive loss		(1,617,087)	(1,096,896)
ITEMS NOT AFFECTING CASH			
Depreciation		38,723	-
Finance costs		8,452	-
Flow-through premium recovery		(108,008)	(1,408)
Unrealized loss on marketable securities		102,520	41,700
Share-based payments		569,736	196,763
		611,423	237,055
Change in non-cash working capital items		(223,455)	(608,908)
OPERATING ACTIVITIES		(1,229,119)	(1,468,749)
FINANCING ACTIVITIES			
Exercise of stock options	10a	77,833	192,000
Lease payments		(40,729)	-
FINANCING ACTIVITIES		37,104	192,000
INVESTING ACTIVITIES			
Purchase of short-term investments		(5,000,000)	(10,000,000)
Mineral property expenditures		(2,350,424)	(390,395)
INVESTING ACTIVITIES		(7,350,424)	(10,390,395)
CHANGE IN CASH AND CASH EQUIVALENTS		(8,542,439)	(11,667,144)
Cash and cash equivalents – Beginning		30,688,210	28,647,190
CASH AND CASH EQUIVALENTS - ENDING		22,145,771	16,980,046

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CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Number of Shares	Share Capital \$	Contributed Surplus \$	Deficit \$	Shareholders' Equity \$
DECEMBER 31, 2020	135,597,635	150,897,421	34,617,746	(102,888,373)	82,626,794
Exercise of stock options	200,000	268,372	(76,372)	-	192,000
Share-based payments	-	-	245,733	-	245,733
Loss and comprehensive loss	-	-	-	(1,096,896)	(1,096,896)
MARCH 31, 2021	135,797,635	151,165,793	34,787,107	(103,985,269)	81,967,631
Private Placement (note 7b)					
Gross proceeds	11,808,490	25,624,423	-	-	25,624,423
Issuance costs	-	(865,829)	-	-	(865,829)
Private Placement (note 7b)					
Gross proceeds	2,670,000	8,010,000	-	-	8,010,000
Flow-through premium (note 6)	-	(1,655,400)	-	-	(1,655,400)
Issuance costs	-	(694,788)	-	-	(694,788)
Exercise of stock options	1,150,000	1,606,793	(450,293)	-	1,156,500
Share-based payments	-	-	1,135,824	-	1,135,824
Loss and comprehensive loss	-	-	-	(2,611,991)	(2,611,991)
DECEMBER 31, 2021	151,426,125	183,190,992	35,472,638	(106,597,260)	112,066,370
Exercise of stock options	58,333	103,759	(25,926)	-	77,833
Share-based payments	-	-	778,725	-	778,725
Loss and comprehensive loss	-	-	-	(1,617,087)	(1,617,087)
MARCH 31, 2022	151,484,458	183,294,751	36,225,437	(108,214,347)	111,305,841

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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 1200 – 1166 Alberni 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 International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS”), applicable to the preparation of interim financial statements, 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, 2021, which have been prepared in accordance with IFRS

These financial statements were approved for issue by the Company’s board of directors on May 5, 2022.

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 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 for the exploration and evaluation assets. 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. Management did not identify any impairment indicators during the three months ended March 31, 2022.

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3. SHORT-TERM INVESTMENTS

As at March 31, 2022, the Company had \$21,000,000 (December 31, 2021 - \$16,000,000) invested in Canadian dollar denominated guaranteed investment certificates plus accrued interest of \$113,912 (December 31, 2021 - \$73,639).

4. MARKETABLE SECURITIES

As at March 31, 2022, the Company held marketable securities with an aggregate fair value of \$1,001,800 (December 31, 2021 - \$1,104,400), consisting of 2.5 million common shares of Northisle Copper and Gold Inc. with a fair value of \$975,000 (December 31, 2021 - \$1,075,000) and 168,000 common shares of Granite Creek Copper Ltd. with a fair value of \$26,880 (December 31, 2021 - \$29,400).

5. EXPLORATION AND EVALUATION ASSETS

a. Casino (100% - Yukon, Canada)

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

Certain portions of the Casino property remain subject to certain royalties. The surviving royalties and agreements are as follows:

- 2.75% NSR on the claims comprising the Casino project in favour of Osisko Gold Royalties Ltd. ("Osisko Gold") pursuant to the Royalty Assignment and Assumption Agreement dated July 31, 2017 when 8248567 Canada Limited assigned to Osisko Gold all of its rights, title and interest in the 2.75% NSR.

b. Exploration and evaluation expenditures

	Total
	\$
DECEMBER 31, 2020	53,748,013
Claims maintenance	22,270
Engineering	3,180,020
Exploration and camp support	7,648,920
Permitting	1,326,058
Salary and wages	281,452
Share-based payments	141,328
DECEMBER 31, 2021	66,348,061
Claims maintenance	26,038
Engineering	1,005,711
Exploration and camp support	121,382
Permitting	913,203
Salary and wages	239,543
Share-based payments	208,989
MARCH 31, 2022	68,862,927

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6. FLOW THROUGH PREMIUM LIABILITY

The flow-through premium liability balance as at March 31, 2022 of \$651,517 (December 31, 2021 – \$759,525) arose in connection with the flow-through share offering the Company completed on July 29, 2021. The reported amount is the remaining balance of the premium from issuing the flow-through shares. The flow-through premium is recognized in the statement of loss based on the amount of qualifying flow-through expenditures incurred by the Company.

The Company is committed to incurring on or before December 31, 2022 qualifying Canadian exploration expenses as defined under the Income Tax Act, Canada ("Qualifying CEE") in the amount of \$8,010,000 with respect to the flow-through share financing completed on July 29, 2021. None of the Qualifying CEE will be available to the Company for future deduction from taxable income.

As at March 31, 2022, the Company had incurred \$4,857,497 of Qualifying CEE and accordingly, recognized a flow-through premium recovery of \$108,008 (March 31, 2021 - \$1,408). As at March 31, 2022, the Company has a remaining commitment to incur Qualifying CEE of \$3,152,503.

7. 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 July 29, 2021, Western completed a brokered private placement of flow-through common shares (the "FT Shares"). The Company issued a total of 2,670,000 FT Shares at a price of \$3.00 per FT Share for aggregate gross proceeds of \$8,010,000. Issuance costs related to the private placement totaled \$694,788. A flow through premium liability of \$1,655,400 was recognized. Refer note 6.

On May 31, 2021, Rio Tinto Canada Inc. ("Rio Tinto") completed a strategic investment in Western by way of a private placement of the Company's common shares. The Company sold 11,808,490 common shares at a price of \$2.17 per common share for gross proceeds of \$25,624,423. The Company incurred \$865,829 in costs associated with the private placement.

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8. WARRANTS**a. Warrants**

A summary of the Company's warrants outstanding, including changes for the periods then ended, is presented below:

	Number of warrants	Weighted average exercise price \$
DECEMBER 31, 2020	1,500,000	0.85
	-	-
DECEMBER 31, 2021 and MARCH 31, 2022	1,500,000	0.85

Warrants outstanding are as follows:

Warrant outstanding, by exercise price	Number of warrants	Weighted average exercise price \$	Average remaining contractual life years
\$0.85	1,500,000	0.85	2.92
MARCH 31, 2022	1,500,000	0.85	2.92

9. EQUITY INCENTIVE PLANS

The Company has three equity incentive plans consisting of a stock option plan (the "Option Plan"), a restricted share unit plan (the "RSU Plan") and a deferred share unit plan (the "DSU Plan") (collectively the "Equity Incentive Plans"). Pursuant to the Company's annual general meeting held on June 17, 2021, it was approved that the maximum aggregate number of common shares issuable under the Equity Incentive Plans cannot exceed 10% of number of common shares issued and outstanding.

a. Stock Option Plan

Under the Option Plan, 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, 2022, the Company could issue an additional 2,333,021 stock options under the terms of the stock option plan.

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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, 2020	7,075,000	1.19
Granted	310,000	2.10
Exercised	(1,350,000)	1.00
DECEMBER 31, 2021	6,035,000	1.28
Granted	2,181,000	2.03
Exercised	(58,333)	1.33
MARCH 31, 2022	8,157,667	1.48

During the three months ended March 31, 2022, the Company recognized an expense of \$163,274 in the statement of loss and comprehensive loss (March 31, 2021 - \$196,763) and \$159,042 was capitalized (March 31, 2021 - \$48,970) in the exploration and evaluation assets in relation to stock options.

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
\$0.75 - \$0.90	1,900,000	0.87	2.19
\$1.11 - \$1.20	1,775,000	1.19	1.15
\$1.41 - \$1.66	1,991,667	1.63	3.35
\$1.85 - \$1.95	1,100,000	1.94	4.77
\$2.10 - \$2.22	1,391,000	2.19	4.80
MARCH 31, 2022	8,157,667	1.48	3.04

Average share price for options exercised during the three months ended March 31, 2022, was \$2.68 (March 31, 2021 - \$2.03). Of the total stock options outstanding, 4,858,326 were vested and exercisable at March 31, 2022. The weighted average exercise price of vested stock options is \$1.18 and the average remaining contractual life is 2.09 years.

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b. Share-based payments

During the three months ended March 31, 2022, the Company granted 2,181,000 (2021 – 310,000) stock options to employees, directors and consultants at an average exercise price of \$2.03 per option. The fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model. The weighted average assumptions and resulting fair values for the grant are as follows:

Inputs and assumptions	Three Months Ended March 31, 2022	Year Ended December 31, 2021
Exercise price	\$2.03	\$2.10
Market price	\$2.03	\$2.10
Expected option term (years)	3.0	3.0
Expected stock price volatility	58.6%	62.1%
Average risk-free interest rate	1.46%	0.59%
Expected forfeiture rate	-	-
Expected dividend yield	-	-
FAIR VALUE PER OPTION GRANTED	\$0.82	\$0.84

c. Restricted Share Units

The Company granted RSUs in accordance with the RSU plan approved at the most recent shareholders meeting. These RSUs vest in three equal tranches: Tranche one - on completion of 12 months from grant date, Tranche two – on completion of eighteen months from the grant date and Tranche three – on completion of twenty-four months from grant date. These RSUs are classified as equity-settled as these awards will be settled by issuing the shares and are valued at the market price of the Company shares on the date of grant. As at March 31, 2022, the Company could issue an additional 1,746,590 RSUs under the RSU Plan. A summary of the Company's RSUs outstanding and the changes for the periods then ended, is presented below:

	Number of shares issued or issuable on vesting
DECEMBER 31, 2020	-
RSUs Granted	239,100
DECEMBER 31, 2021	239,100
RSUs Granted	359,723
MARCH 31, 2022	598,823

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In relation to RSUs, the Company recognized an expense of \$115,822 during the three months ended March 31, 2022, (March 31, 2021 – Nil) in the statements of loss and comprehensive loss and \$49,947 was capitalized (March 31, 2021 - Nil) in the exploration and evaluation assets.

d. Deferred Share Units

Only directors of the Company are eligible for DSUs and each DSU vests immediately and is redeemed upon a director ceasing to be a director of the Company. DSUs are classified as equity-settled as these awards will be settled by issuing the shares and are valued at the market price of the Company shares on the date of grant. As at March 31, 2022, the Company could issue an additional 1,649,111 DSUs under the DSU Plan.

	Number of shares issuable
DECEMBER 31, 2020	-
DSUs Granted	167,000
DECEMBER 31, 2021	167,000
DSUs Granted	138,400
MARCH 31, 2022	305,400

In relation to DSUs, the Company recognized an expense of \$290,640 during the three months ended March 31, 2022, (March 31, 2021 – Nil) in the statements of loss and comprehensive loss.

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:

For the three months ended March 31,	2022	2021
	\$	\$
Salaries and director fees	516,573	212,694
Share-based payments	710,569	183,928
KEY MANAGEMENT COMPENSATION	1,227,142	396,622

Share-based payments represent the fair value on grant date of stock options, RSUs and DSUs previously granted to directors and officers that was recognized in the statement of loss and comprehensive loss during the years presented above.

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11. SEGMENTED INFORMATION

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

12. CAPITAL MANAGEMENT

The Company considers capital to be equity attributable to common shareholders, composed 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 mineral resource properties.

The Company monitors its cash position on a regular basis to determine whether sufficient funds are available to meet its short-term and long-term corporate objectives, and makes adjustments to its plans 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.

There was no change in the Company's approach to capital management during the year. Western has no debt and does not pay dividends. The Company is not subject to any externally imposed capital restrictions.

13. 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 market risk from the use of financial instruments. Financial instruments consist of cash and cash equivalents, short-term investments, marketable securities, 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 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. Cash and cash equivalents and short-term investments are in Canadian chartered banks. The carrying amount of financial assets recorded in the financial statements represents Western's maximum exposure to credit risk.

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c. Market risk

The Company is exposed to market risk because of the fluctuating values of its publicly traded marketable securities. The Company has no control over these fluctuations and does not hedge its investments. Marketable securities are adjusted to fair value at each balance sheet date.

As at March 31, 2022, the carrying amounts of cash and cash equivalents, short-term investments, certain other assets, and accounts payable and accrued liabilities are considered to be reasonable approximations of their fair values due to the short-term nature of these instruments. The fair value of the marketable securities is determined by reference to published price quotations in an active market (classified as level 1 in the fair value hierarchy).