

INVESTMENT POLICY

PURPOSE

The purpose of this Policy is to document a governance framework for the prudent management of Western Copper and Gold Corporation's ("**Western**") treasury portfolio (the "**Fund**") within an acceptable risk tolerance.

SECTION I: POLICY

It is the policy of Western to invest its surplus funds in a manner which will provide the optimal blend of investment returns and principal protection while meeting its daily cash flow and liquidity demands.

1. SCOPE

This Policy applies to the investment of all cash and short-term investment assets of Western.

2. OBJECTIVES

Capital Preservation

Preservation of capital is the foremost objective of the Fund. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall Fund whilst managing credit risk and interest rate risk.

Liquidity

Investments shall remain sufficiently liquid in order to meet all reasonably anticipated operating and capital requirements. Since all possible cash requirements cannot reasonably be anticipated, the Fund should consist largely of securities with immediate liquidity features for non-market traded securities.

Return on Investment

The Fund shall be constructed with the objective of attaining a competitive rate of return while meeting the above objectives.

3. STANDARD OF CARE

Prudence

Investments by the Manager shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence would exercise.

Internal Controls

Management shall establish a system of internal controls. These controls shall be designed to prevent the loss of funds arising from fraud, employee error and/or misrepresentation by third parties.

4. ETHICS & CONFLICT OF INTEREST

Officers and employees involved with the investment process shall refrain from personal business activity that could conflict with proper execution and management of the investment program or impair their ability to make impartial investment decisions. Any personal business activity shall require proper disclosure with the President; CEO or CFO of Western.

On an annual basis the President, CEO and CFO will provide the Chair of the Corporate Governance Committee and the Chair of the Board written notice confirming there is no conflict of interest between themselves the Company's banking functions. Further the President, CEO and CFO will provide the name of the banking institutions and contacts, if applicable, responsible for their personal banking and investments.

SECTION II: INDIVIDUAL RESPONSIBILITIES

1. DELEGATION OF AUTHORITY

Any movement of cash or securities between financial institutions for the Fund must be authorized by two authorized Officers of Western. Such authorized individuals will be limited to the Company's:

- Chief Executive Officer; or
- President; or
- Chief Financial Officer.

2. MANAGER RESPONSIBILITIES

- Establish an Investment Strategy. Considerations include:
 - Asset allocation
 - Portfolio diversification
 - Current market environment and Bank of Canada policy
- Select investments for the Fund, subject to this Policy.
- Maintain adequate liquidity of the Fund to ensure cash disbursements can be met.
- Review the Fund's performance on a regular basis.
- Delegate any responsibility not specifically mentioned in this Policy.
- At the request from the Board of Directors, the Manager will provide a report detailing the following of the Fund:
 - Description of each investment.
 - Cost investment and market value of each security.
 - Coupon rate and yield to maturity.
 - Investment date and maturity date.
 - Rates of return on the entire Fund.
- Review the Policy periodically and if appropriate make recommendations to the Board of Directors for changes.

SECTION III: ELIGIBLE INVESTMENTS

MONEY MARKET SECURITIES

Cash held by Western that is not immediately required may only be invested in one or more of the following:

- Federal & Provincial T-bills
- Federal government guaranteed instruments
- High Interest Savings Accounts (HISAs)
- Securities guaranteed by a bank, treasury branch, credit union, cooperative or trust corporation that are Schedule 1 institutions.

Investments in shares, warrants, or other equities, convertible debt securities, derivatives, swaps, options or futures are prohibited, and all investment categories that are not explicitly permitted are prohibited.

(Note: Western owns 2,500,000 shares and 168,000 shares of Northisle Copper and Gold Inc. (“NCX”) and Granite Creek Copper Ltd. (“GCX”), respectively, acquired through a 2011 ‘shares for debt’ transaction. Western will not purchase any additional shares of either company and will look to dispose of the shares when market conditions allow.)

Prior to disposing any share in NCX and or GCX the CEO and or CFO will request recommendation from the Chair of the Governance committee and subsequent approval from the Board of Directors.

SECTION IV: RATINGS AND CONSTRAINTS

1. RISK TOLERANCE

Investments held in the Fund must be rated by at least one rating agency, namely Dominion Bond Rating Service (“DBRS”), Standard & Poor’s (“S&P”) or Moody’s. All investments must be considered Investment Grade, with a minimum credit rating of R1 (low) by DBRS.

Cash: The deemed rating for cash, including the current account and any High Interest Savings Accounts, will be equal to the rating of the institution it is being held in.

Provincial Credit Unions: The deemed rating for securities issued by a Credit Unions will be equal to the rating of the province that the credit union resides in.

2. PORTFOLIO CONSTRAINTS

These primary constraints relate to safety of invested capital and maintaining the liquidity of the portfolio.

Corporate Governance &
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Overall Credit Rating: The total Fund will be limited to the following credit rating thresholds on a weighted average basis (as defined by DBRS or equivalent):

Rating	Up to %
R-1 (high)	100%
R-1 (middle)	90%
R-1 (low)	70%

Note: Due to market fluctuations, maximum percentages may be exceeded at a point in time. Securities need not be liquidated to rebalance the portfolio; however, consideration should be given to this matter when future purchases are made to ensure that appropriate diversification is maintained.

Counterparty Limits: The manager will ensure that no individual counterparty's total exposure exceeds 25% of the overall portfolio. Exceptions are as follows:

- Gov't of Canada T-Bills: No limit.
- Bank operating accounts: No more than 50% without prior approval from the CFO.

Duration Limit: All securities held in the portfolio must provide full liquidity within 366 days or less. The total portfolio shall have an average term to maturity of no greater than 180 days.

Leverage: The Fund shall not borrow funds to acquire securities or otherwise deal in margin trading.