



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, 2020

(Unaudited and expressed in Canadian dollars)

Western Copper and Gold Corporation
Condensed Interim Consolidated Financial Statements
(Unaudited and expressed in Canadian dollars)

CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS

| | Note | September 30, 2020 \$ | December 31, 2019 \$ |
|---|------|--------------------------|-------------------------|
| ASSETS | | | |
| Cash and cash equivalents | | 2,946,363 | 1,641,721 |
| Marketable securities | 3 | 348,100 | 160,500 |
| Other assets | | 429,287 | 281,517 |
| CURRENT ASSETS | | 3,723,750 | 2,083,738 |
| Exploration and evaluation assets | 4 | 53,222,045 | 48,375,025 |
| ASSETS | | 56,945,795 | 50,458,763 |
| LIABILITIES | | | |
| Accounts payable and accrued liabilities | | 1,164,569 | 372,790 |
| Flow-through premium liability | 5 | 4,244 | 89,775 |
| CURRENT LIABILITIES | | 1,168,813 | 462,565 |
| SHAREHOLDERS' EQUITY | | | |
| Share capital | 6 | 123,882,929 | 116,908,713 |
| Contributed surplus | | 34,374,532 | 33,942,501 |
| Deficit | | (102,480,479) | (100,855,016) |
| SHAREHOLDERS' EQUITY | | 55,776,982 | 49,996,198 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | 56,945,795 | 50,458,763 |

Approved by the Board of Directors

/s/ Kenneth Williamson Director

/s/ Klaus Zeitler Director

Western Copper and Gold Corporation
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(Unaudited and expressed in Canadian dollars)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|---------------------------------------|------------------------------------|---------------------------------------|
| | 2020 \$ | 2019 \$ (Restated - Note 2c) | 2020 \$ | 2019 \$ (Restated - Note 2c) |
| Filing and regulatory fees | 8,929 | 6,709 | 197,594 | 188,623 |
| Office and administration | 51,490 | 68,849 | 162,749 | 185,421 |
| Professional fees | 28,815 | 17,344 | 112,360 | 69,236 |
| Rent and utilities | 31,544 | 23,830 | 91,633 | 91,059 |
| Share-based payments (note 8, 9) | 164,225 | 134,299 | 331,078 | 295,575 |
| Shareholder communication and travel | 73,861 | 97,320 | 198,837 | 316,189 |
| Wages and benefits (note 9) | 273,699 | 227,912 | 847,099 | 752,208 |
| CORPORATE EXPENSES | 632,563 | 576,263 | 1,941,350 | 1,898,311 |
| Foreign exchange loss (gain) | (4,262) | 1,518 | 3,547 | 823 |
| Interest income | (440) | (10,726) | (6,303) | (51,069) |
| Flow-through premium recovery (note 5) | (30,484) | (483,979) | (125,531) | (716,829) |
| Unrealized (gain) loss on marketable securities (note 3) | (158,400) | 39,600 | (187,600) | 116,700 |
| LOSS AND COMPREHENSIVE LOSS | 438,977 | 122,676 | 1,625,463 | 1,247,936 |
| Basic and diluted loss per share | 0.00 | 0.00 | 0.01 | 0.01 |
| Weighted average number of common shares outstanding | 115,264,262 | 105,657,468 | 111,970,399 | 103,050,840 |

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CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

| For the nine months ended September 30, | | 2020 | 2019 |
|--|------|--------------------|----------------------|
| | | \$ | \$ |
| | | | (Restated – Note 2c) |
| Cash flows provided by (used in) | Note | | |
| OPERATING ACTIVITIES | | | |
| Loss and comprehensive loss | | (1,625,463) | (1,247,936) |
| ITEMS NOT AFFECTING CASH | | | |
| Share-based payments | | 331,078 | 295,575 |
| Unrealized (gain) loss on marketable securities | | (187,600) | 116,700 |
| Flow-through premium recovery | | (125,531) | (716,829) |
| | | 17,947 | (304,554) |
| NON-CASH WORKING CAPITAL ITEMS | | | |
| Change in accrued interest | | - | (6,202) |
| Change in other assets | | (55,530) | 81,392 |
| Change in accounts payable and accrued liabilities related to operations | | (30,957) | (23,239) |
| | | (86,487) | 51,951 |
| OPERATING ACTIVITIES | | (1,694,003) | (1,500,539) |
| FINANCING ACTIVITIES | | | |
| Private placement proceeds | 6 | 6,430,000 | 3,354,300 |
| Private placement issuance costs | 6 | (179,147) | (341,660) |
| Exercise of stock options | 7 | 806,834 | 47,000 |
| FINANCING ACTIVITIES | | 7,057,687 | 3,059,640 |
| INVESTING ACTIVITIES | | | |
| Redemption of short-term investments | | - | 1,000,000 |
| Mineral property expenditures | | (4,059,042) | (3,549,986) |
| Purchase Canadian Creek claims | 4 | - | (38,913) |
| INVESTING ACTIVITIES | | (4,059,042) | (2,588,899) |
| CHANGE IN CASH AND CASH EQUIVALENTS | | 1,304,642 | (1,029,798) |
| Cash and cash equivalents – Beginning | | 1,641,721 | 3,026,385 |
| CASH AND CASH EQUIVALENTS - ENDING | | 2,946,363 | 1,996,587 |

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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, 2018 | 100,784,001 | 111,891,213 | 33,484,162 | (99,088,568) | 46,286,807 |
| Shares issued – Acquisition of mineral claims (note 6b) | 3,000,000 | 2,760,000 | - | - | 2,760,000 |
| Private Placement (note 6c) | | | | | |
| Gross proceeds | 3,727,000 | 3,354,300 | - | - | 3,354,300 |
| Flow-through premium (note 5) | - | (857,210) | - | - | (857,210) |
| Issuance costs | - | (341,660) | - | - | (341,660) |
| Exercise of stock options | 75,000 | 67,117 | (20,117) | - | 47,000 |
| Share-based payments | - | - | 357,939 | - | 357,939 |
| Loss and comprehensive loss | - | - | - | (1,247,936) | (1,247,936) |
| SEPTEMBER 30, 2019 (Restated – Note 2c) | 107,586,001 | 116,873,760 | 33,821,984 | (100,336,504) | 50,359,240 |
| Exercise of stock options | 50,000 | 34,953 | (9,953) | - | 25,000 |
| Share-based payments | - | - | 130,470 | - | 130,470 |
| Loss and comprehensive loss | - | - | - | (518,512) | (518,512) |
| DECEMBER 31, 2019 | 107,636,001 | 116,908,713 | 33,942,501 | (100,855,016) | 49,996,198 |
| Private Placement (note 6c) | | | | | |
| Gross Proceeds | 3,000,000 | 1,950,000 | - | - | 1,950,000 |
| Issuance costs | - | (104,490) | - | - | (104,490) |
| Allocation of warrant value | - | (351,000) | 351,000 | - | - |
| Private Placement (note 6c) | | | | | |
| Gross proceeds | 4,000,000 | 4,480,000 | - | - | 4,480,000 |
| Flow-through premium (note 5) | - | (40,000) | - | - | (40,000) |
| Issuance costs | - | (74,657) | - | - | (74,656) |
| Exercise of stock options | 1,083,334 | 1,114,363 | (307,529) | - | 806,834 |
| Share-based payments | - | - | 388,560 | - | 388,560 |
| Loss and comprehensive loss | - | - | - | (1,625,463) | (1,625,464) |
| SEPTEMBER 30, 2020 | 115,719,335 | 123,882,929 | 34,374,532 | (102,480,479) | 55,776,982 |

Western Copper and Gold Corporation

Notes to the Consolidated Financial Statements

As at and for the three and nine months ended September 30, 2020

(Unaudited and 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.

COVID-19

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. The contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

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, 2019, 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 November 5, 2020.

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.

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c. Restatement of previously issued interim financial statements

In relation to the private placement completed on April 29, 2019, the Company did not recognise a flow through premium liability and a flow through premium recovery in the condensed consolidated interim financial statements for the three and nine months ended September 30, 2019. However, these adjustments were recognised in the audited financial statements for the year ended December 31, 2019.

A summary of the requisite adjustments on the financial statements for the three and nine months period ended September 30, 2019 is set forth in the table below:

| | Three months ended September 30, 2019 | Nine months ended September 30, 2019 |
|--|--|---|
| Loss from operations (as previously reported) | \$606,655 | \$1,964,765 |
| Flow through premium recognised to statement of loss | \$(483,979) | \$(716,829) |
| Loss from operations (Restated) | \$122,676 | \$1,247,936 |
| Loss per share (as previously reported) | \$0.01 | \$0.02 |
| Loss per share (Restated) | \$0.00 | \$0.01 |

| | As at September 30, 2019 (as previously reported) | As at September 30, 2019 (as restated) |
|----------------------|--|---|
| Share Capital | \$117,730,970 | \$116,873,760 |
| Shareholders' Equity | \$50,449,621 | \$50,359,240 |

3. MARKETABLE SECURITIES

As at September 30, 2020, the Company held marketable securities with an aggregate market value of \$348,100 (December 31, 2019 - \$160,500), consisting of 2.5 million common shares of NorthIsle Copper and Gold Inc. with a market value of \$325,000 (December 31, 2019 - \$150,000) and 420,000 common shares of Copper North Mining Corp. with a market value of \$23,100 (December 31, 2019 - \$10,500).

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4. EXPLORATION AND EVALUATION ASSETS

a. Casino (100% - Yukon, Canada)

The Casino Project is a copper-gold porphyry deposit 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.

On August 28, 2019, the Company acquired the mineral claims that comprise the Canadian Creek Property from Cariboo Rose Resources Ltd ("Cariboo Rose"). The Canadian Creek Property lies directly adjacent to the Casino Project.

The total consideration paid to Cariboo Rose consisted of 3 million common shares of the Company with a fair value of \$2,760,000. The Company also incurred \$38,913 in closing costs.

b. Exploration and evaluation expenditures

| | Total \$ |
|------------------------------|---------------------|
| DECEMBER 31, 2018 | 41,946,079 |
| Acquisition costs | 2,798,913 |
| Claims maintenance | 4,963 |
| Engineering | 93,307 |
| Exploration and camp support | 3,003,005 |
| Permitting | 185,845 |
| Salary and wages | 260,903 |
| Share-based payments | 82,010 |
| DECEMBER 31, 2019 | 48,375,025 |
| Claims maintenance | 25,575 |
| Engineering | 89,100 |
| Exploration and camp support | 4,396,961 |
| Permitting | 105,929 |
| Salary and wages | 171,973 |
| Share-based payments | 57,482 |
| SEPTEMBER 30, 2020 | 53,222,045 |

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5. FLOW THROUGH PREMIUM LIABILITY

The flow-through premium liability balance as at September 30, 2020 of \$4,244 (December 31, 2019 – \$89,775) arose in connection with the flow-through share offering the Company completed on June 1, 2020. The reported amount is the remaining balance of the premium from issuing the flow-through shares. The flow-through premium liability will be derecognized with a recovery in the statement of loss pro-rata with the amount of qualifying flow-through expenditures that are incurred by the Company.

The Company is committed to incurring on or before December 31, 2021 qualifying Canadian exploration expenses as defined under the Income Act, Canada ("Qualifying CEE") in the amount of \$4,480,000 with respect to the flow-through share financing completed on June 1, 2020. None of the Qualifying CEE will be available to the Company for future deduction from taxable income.

As at September 30, 2020, the Company had incurred approximately \$4,004,643 of Qualifying CEE and accordingly, recognized flow-through premium recoveries of \$30,484 and \$125,531 during the three and nine months ended September 30, 2020 respectively (\$483,979 and \$716,829 during the three and nine month ended September 30, 2019 respectively). As at September 30, 2020 the Company reduced its commitment to \$475,357.

On May 17, 2019, the Company completed a flow-through share offering and recorded a flow-through premium liability of \$857,210 and committed to incur Qualifying CEE in the amount of \$3,354,300. As at September 30, 2020, the Company had incurred all committed expenditures and no longer had a flow-through premium liability associated with this flow-through share offering.

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. Acquisition of mineral claims

On August 28, 2019, Western acquired the 311 mineral claims that comprise the Canadian Creek Property from Cariboo Rose. The Company issued 3 million common shares to Cariboo Rose valued at \$0.92 per common share for an aggregate value of \$2,760,000.

c. Financing

On June 1, 2020, Western completed a non-brokered private placement of flow-through common shares (the "FT Shares"). The Company issued a total of 4,000,000 FT Shares at a price of \$1.12 per FT Share for aggregate gross proceeds of \$4,480,000. Issuance costs related to the private placement totaled \$74,656. A flow through premium liability of \$40,000 was recognized. Refer note 5.

On February 28, 2020, Western issued 3,000,000 units at a price of \$0.65 per unit for aggregate gross proceeds of \$1,950,000. 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 \$0.85 until February 28, 2025. Issuance costs related to the financing totaled \$104,490.

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

| | |
|---------------------------------|-----------|
| Warrants issued | 1,500,000 |
| Exercise price | \$0.85 |
| Market price | \$0.73 |
| Expected term (years) | 5.0 |
| Expected share price volatility | 61.3% |
| Average risk-free interest rate | 1.07% |
| Expected dividend yield | - |

| | |
|----------------------------|------------------|
| FAIR VALUE ASSIGNED | \$351,000 |
|----------------------------|------------------|

On May 17, 2019, Western completed a brokered private placement of 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 \$341,660. A flow through premium liability of \$875,210 was recognized. Refer note 5.

7. WARRANTS AND STOCK OPTIONS**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, 2019 | 1,452,533 | 1.75 |
| Issued | 1,500,000 | 0.85 |
| Expired | (1,452,533) | 1.75 |
| SEPTEMBER 30, 2020 | 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 | 4.42 |
| SEPTEMBER 30, 2020 | 1,500,000 | 0.85 | 4.42 |

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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 September 30, 2020 the Company could issue an additional 4,646,933 stock options under the terms of the stock option 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, 2018 | 5,200,001 | 0.98 |
| Granted | 2,075,000 | 0.87 |
| Exercised | (125,000) | 0.58 |
| Expired | (850,000) | 0.90 |
| Forfeited | (150,000) | 1.20 |
| DECEMBER 31, 2019 | 6,150,001 | 0.96 |
| Granted | 2,150,000 | 1.61 |
| Exercised | (1,083,334) | 0.74 |
| Cancelled/Forfeited | (191,667) | 1.40 |
| Expired | (100,000) | 0.67 |
| SEPTEMBER 30, 2020 | 6,925,000 | 1.19 |

The average fair value of Company's share price corresponding with the exercise of stock options was \$1.64. During the year ended December 31, 2019, the average fair value of Company's share price was \$0.84.

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 | 1,950,000 | 0.87 | 3.68 |
| \$0.96 | 1,150,000 | 0.96 | 0.95 |
| \$1.11 | 200,000 | 1.11 | 4.69 |
| \$1.20 | 1,800,000 | 1.20 | 2.39 |
| \$1.66 | 1,825,000 | 1.66 | 4.82 |
| SEPTEMBER 30, 2020 | 6,925,000 | 1.19 | 3.22 |

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Of the total stock options outstanding, 3,583,327 were vested and exercisable at September 30, 2020. The weighted average exercise price of vested stock options is \$1.06 and the average remaining contractual life is 2.16 years.

8. SHARE-BASED PAYMENTS

The following is a summary of stock options granted by the Company in 2020 and 2019 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 | July 27, 2020 | June 11, 2020 | June 18, 2019 | April 23, 2019 |
|---------------------------------|--------------------|------------------|------------------|-------------------|
| Stock options granted | 1,950,000 | 200,000 | 1,675,000 | 400,000 |
| Exercise price | \$1.66 | \$1.11 | \$0.90 | \$0.75 |
| Market price | \$1.61 | \$1.11 | \$0.78 | \$0.72 |
| Expected option term (years) | 3.0 | 3.0 | 3.0 | 3.0 |
| Expected stock price volatility | 56.6% | 49.7% | 51.8% | 51.6% |
| Average risk-free interest rate | 0.29% | 0.27% | 1.36% | 1.56% |
| Expected forfeiture rate | - | - | - | - |
| Expected dividend yield | - | - | - | - |
| FAIR VALUE ASSIGNED | \$1,159,000 | \$75,000 | \$409,000 | \$100,000 |

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 key management was as follows:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|------------------------------------|-------------------------------------|----------------|------------------------------------|----------------|
| | 2020 | 2019 | 2020 | 2019 |
| | \$ | \$ | \$ | \$ |
| Salaries and director fees | 193,402 | 205,569 | 647,753 | 626,394 |
| Share-based payments | 160,936 | 125,077 | 309,956 | 263,966 |
| KEY MANAGEMENT COMPENSATION | 354,338 | 330,646 | 957,709 | 890,360 |

Share-based payments represent the grant-date fair value of stock options previously granted to directors and officers that was recognized in the Company's consolidated financial statements during the periods presented above.

10. 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.

11. CAPITAL MANAGEMENT

There has been no change in the Company's approach to capital management during the three and nine months ended September 30, 2020. Western has no debt and does not pay dividends. The Company is not subject to any externally imposed capital.

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12. 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. The Company 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. 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.