



# western

## COPPER AND GOLD

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

**Consolidated Financial Statements**  
**For the years ended December 31, 2015, 2014, and 2013**

(Expressed in Canadian dollars)

## Management's Responsibility for Financial Reporting

March 24, 2016

The accompanying consolidated financial statements of Western Copper and Gold Corporation (the "Company") have been prepared by management in accordance with International Financial Reporting Standards and contain estimates based on management's judgment.

Management maintains an appropriate system of internal control to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded, and proper records are maintained. Further information on the Company's internal control over financial reporting and its disclosure controls and procedures is available in management's report on internal control over financial reporting, which follows.

The Audit Committee of the Board of Directors has met with the Company's independent auditors to review the scope and results of the annual audit and to review the consolidated financial statements and related financial reporting matters prior to submitting the consolidated financial statements to the Board of Directors for approval.

The Company's independent auditors, PricewaterhouseCoopers LLP, have audited the Company's consolidated financial statements on behalf of the shareholders and their report follows.

*Julien François (signed)*

Julien François  
Chief Financial Officer

*Paul West-Sells (signed)*

Paul West-Sells  
Chief Executive Officer

## Management's Report on Internal Control over Financial Reporting

March 24, 2016

Western Copper and Gold Corporation's management is responsible for establishing and maintaining adequate internal control over financial reporting ("ICFR"). The Securities and Exchange Act of 1934, in Rule 13a-15(f) and 15d-15(f) thereunder, defines this as a process designed by, or under the supervision of, the Company's principal executive and principal financial officers and effected by the Company's Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles, and includes those policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions of the Company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of Company; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisitions, use or disposition of the Company's assets that may have a material effect on the consolidated financial statements.

Because of its inherent limitations, ICFR may not prevent or detect all misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company's ICFR and disclosure controls and procedures as at December 31, 2015. In making this assessment, the Company's management used the criteria established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in its 2013 Internal Control-Integrated Framework. Based on its assessment, management has concluded that, as at December 31, 2015, the Company's ICFR and disclosure controls and procedures were effective.

*Julien François (signed)*

Julien François  
Chief Financial Officer

*Paul West-Sells (signed)*

Paul West-Sells  
Chief Executive Officer



## **Independent Auditor's Report**

### **To the Shareholders of Western Copper and Gold Corporation**

We have audited the accompanying consolidated financial statements of Western Copper and Gold Corporation, which comprise the consolidated balance sheets as at December 31, 2015 and December 31, 2014 and the consolidated statements of loss and comprehensive loss, cash flows and changes in shareholders' equity for each of the three years in the period ended December 31, 2015, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

#### **Management's responsibility for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. Canadian generally accepted auditing standards also require that we comply with ethical requirements.

An audit involves performing procedures to obtain audit evidence, on a test basis, about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. We were not engaged to perform an audit of the company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles and policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

**Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Western Copper and Gold Corporation as at December 31, 2015 and December 31, 2014 and its financial performance and its cash flows for each of the three years in the period ended December 31, 2015 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

***PricewaterhouseCoopers LLP (signed)***

**Chartered Professional Accountants**

Vancouver, BC  
March 24, 2016

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**Western Copper and Gold Corporation**

## Consolidated Financial Statements

(Expressed in Canadian dollars)

**CONSOLIDATED BALANCE SHEETS**

		December 31, 2015	December 31, 2014
		\$	\$
<b>ASSETS</b>	Note		
Cash and cash equivalents		830,326	7,471,834
Short-term investments	4	9,573,425	9,101,553
Other assets	5	296,316	377,999
<b>CURRENT ASSETS</b>		<b>10,700,067</b>	<b>16,951,386</b>
Exploration and evaluation assets	6	36,389,795	32,545,517
<b>ASSETS</b>		<b>47,089,862</b>	<b>49,496,903</b>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities		659,661	1,237,771
<b>LIABILITIES</b>		<b>659,661</b>	<b>1,237,771</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	7	105,113,340	105,113,340
Contributed surplus		32,799,280	32,510,184
Deficit		(91,482,419)	(89,364,392)
<b>SHAREHOLDERS' EQUITY</b>		<b>46,430,201</b>	<b>48,259,132</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>47,089,862</b>	<b>49,496,903</b>
Commitments	10		

**Approved by the Board of Directors**Robert J. Gayton (signed) DirectorKlaus Zeitler (signed) Director

**Western Copper and Gold Corporation**

## Consolidated Financial Statements

(Expressed in Canadian dollars)

**CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

For the year ended December 31,	Note	2015 \$	2014 \$	2013 \$
Filing and regulatory fees		181,291	155,522	164,673
Office and administration		259,360	273,507	258,806
Professional fees		240,896	156,688	154,988
Rent and utilities		222,431	222,519	204,500
Share-based payments	11	209,624	304,109	652,436
Shareholder communication and travel		434,418	499,186	572,635
Wages and benefits	11	1,050,766	924,778	948,788
<b>CORPORATE EXPENSES</b>		<b>2,598,786</b>	<b>2,536,309</b>	<b>2,956,826</b>
Foreign exchange gain		(316,988)	(388,045)	(1,352,437)
Interest income		(163,771)	(236,290)	(238,873)
<b>LOSS AND COMPREHENSIVE LOSS</b>		<b>2,118,027</b>	<b>1,911,974</b>	<b>1,365,516</b>
Basic and diluted loss per share		0.02	0.02	0.01
Weighted average number of common shares outstanding		94,194,936	93,993,748	93,721,753

**Western Copper and Gold Corporation**

## Consolidated Financial Statements

(Expressed in Canadian dollars)

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

For the year ended December 31,		2015	2014	2013
		\$	\$	\$
Cash flows provided by (used in)	Note			
<b>OPERATING ACTIVITIES</b>				
Loss and comprehensive loss		(2,118,027)	(1,911,974)	(1,365,516)
ITEMS NOT AFFECTING CASH				
Share-based payments		209,624	304,109	652,436
Change in non-cash working capital items		111,137	58,354	(391,906)
<b>OPERATING ACTIVITIES</b>		<b>(1,797,266)</b>	<b>(1,549,511)</b>	<b>(1,104,986)</b>
<b>FINANCING ACTIVITIES</b>				
Exercise of stock options	8	-	284,349	9,350
<b>FINANCING ACTIVITIES</b>		<b>-</b>	<b>284,349</b>	<b>9,350</b>
<b>INVESTING ACTIVITIES</b>				
Redemption (purchase) of short-term investments		(500,000)	8,000,000	(17,000,000)
Mineral property expenditures		(4,344,242)	(5,307,479)	(9,377,431)
<b>INVESTING ACTIVITIES</b>		<b>(4,844,242)</b>	<b>2,692,521</b>	<b>(26,377,431)</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>		<b>(6,641,508)</b>	<b>1,427,359</b>	<b>(27,473,067)</b>
Cash and cash equivalents – Beginning		7,471,834	6,044,475	33,517,542
<b>CASH AND CASH EQUIVALENTS - ENDING</b>		<b>830,326</b>	<b>7,471,834</b>	<b>6,044,475</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, 2012</b>	<b>93,782,503</b>	<b>104,603,488</b>	<b>31,494,020</b>	<b>(86,086,902)</b>	<b>50,010,606</b>
Cancellation and return to treasury	(115,566)	-	-	-	-
Exercise of stock options	17,000	9,350	-	-	9,350
Transfer of stock option value	-	7,336	(7,336)	-	-
Share-based payments	-	-	807,204	-	807,204
Loss and comprehensive loss	-	-	-	(1,365,516)	(1,365,516)
<b>DECEMBER 31, 2013</b>	<b>93,683,937</b>	<b>104,620,174</b>	<b>32,293,888</b>	<b>(87,452,418)</b>	<b>49,461,644</b>
Exercise of stock options	510,999	284,349	-	-	284,349
Transfer of stock option value	-	208,817	(208,817)	-	-
Share-based payments	-	-	425,113	-	425,113
Loss and comprehensive loss	-	-	-	(1,911,974)	(1,911,974)
<b>DECEMBER 31, 2014</b>	<b>94,194,936</b>	<b>105,113,340</b>	<b>32,510,184</b>	<b>(89,364,392)</b>	<b>48,259,132</b>
Share-based payments	-	-	289,096	-	289,096
Loss and comprehensive loss	-	-	-	(2,118,027)	(2,118,027)
<b>DECEMBER 31, 2015</b>	<b>94,194,936</b>	<b>105,113,340</b>	<b>32,799,280</b>	<b>(91,482,419)</b>	<b>46,430,201</b>

## **1. NATURE OF OPERATIONS**

Western Copper and Gold Corporation ("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 1800 - 570 Granville Street, Vancouver, British Columbia.

The Company will need to raise additional funds to complete the development of its mineral property. While it has been successful in doing so 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 financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The financial statements are prepared under the historical cost convention.

These financial statements were approved for issue by the Company's board of directors on March 24, 2016.

### **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.

### **3. ACCOUNTING POLICIES**

#### **a. Summary of significant accounting policies**

The Company's principal accounting policies are outlined below:

(i) Basis of consolidation

The Company consolidates an entity when it has power over that entity, is exposed, or has rights, to variable returns from its involvement with that entity and has the ability to affect those returns through its power over that entity. The financial statements of other entities (e.g. subsidiaries) are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant intercompany transactions and balances have been eliminated.

The consolidated financial statements of the Company include its wholly-owned subsidiaries: Casino Mining Corp., Ravenwolf Resource Group Ltd., and Minera Costa de Plata SA de CV.

(ii) Presentation currency

The Company's presentation currency is the Canadian dollar ("C\$"). The functional currency of Western and its significant subsidiaries is the Canadian dollar.

(iii) Foreign currency translation

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency ("foreign currencies") are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary assets and liabilities are translated using the period end foreign exchange rate. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. All gains and losses on translation of these foreign currency transactions are included in the statement of loss.

(iv) Share-based payments

The Company grants stock options to buy common shares of the Company to directors, officers, employees and consultants. The fair value of stock options granted by the Company is treated as compensation costs in accordance with IFRS 2 - *Share-based Payments*. The fair value of such awards is calculated using the Black-Scholes option pricing model. These costs are charged to the statement of loss or, if appropriate, are capitalized to exploration and evaluation assets over the stock option vesting period with an offsetting entry to contributed surplus. The Company's allocation of share-based payments is consistent with its treatment of other types of compensation for each recipient.

If the stock options are exercised, the value attributable to the stock options is transferred to share capital.

**Western Copper and Gold Corporation**  
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(v) Income taxes

Income tax expense consists of current and deferred tax expense. Income tax expense is recognized in the statement of loss.

Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to the previous year.

Deferred taxes are recorded using the liability method. Under the liability method, deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases (i.e. timing differences). Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the statement of loss in the period that the substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

(vi) Loss per share

Basic loss per share is computed by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed in the same way as basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of all stock options and warrants, if dilutive.

(vii) Long-lived assets

1. Exploration and evaluation assets

Direct costs related to the acquisition and exploration of mineral properties held or controlled by the Company are capitalized on an individual property basis until the property is put into production, sold, abandoned, or determined to be impaired. Administration costs and general exploration costs are expensed as incurred. When a property is placed into commercial production, deferred costs will be depleted using the units-of-production method.

The Company classifies its mineral properties as exploration and evaluation assets until technical feasibility and commercial viability of extracting a mineral resource are demonstrable. At this point, the exploration and evaluation assets are transferred to property and equipment. The establishment of technical feasibility and commercial viability of a mineral property is assessed based on a combination of factors, such as the extent of established mineral reserves, the results of feasibility and technical evaluations, and the status of mining leases or permits.

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Proceeds received from the sale of royalties, as a result of tax credits, or as part of government assistance programs are recognized as a reduction in the carrying value of the related asset when the money is more likely than not to be received. If the applicable property has been written-off, the amount received is recorded as a credit in the statement of loss in the period in which the payment is more likely than not to be received.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers, or title may be affected by undetected defects.

2. Impairment

The Company's assets are reviewed for indication of impairment at each balance sheet date. If any such indication exists, an estimate of the recoverable amount is undertaken, being the higher of an asset's fair value less costs of disposal ("FVLCD") and value in use ("VIU"). If the asset's carrying amount exceeds its recoverable amount then an impairment loss is recognized in the statement of loss.

FVLCD is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Fair value of mineral assets is generally determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset, including any expansion prospects.

VIU is determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset in its present form and from its ultimate disposal.

Impairment is normally assessed at the level of cash-generating units, which are identified as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets.

3. Reversal of impairment

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

(viii) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits in banks and highly liquid investments with an original maturity of three months or less.

(ix) Short-term investments

Short-term investments are investments which are transitional or current in nature, with an original maturity date greater than three months, but no more than one year from the date of acquisition.

**Western Copper and Gold Corporation**  
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(Expressed in Canadian dollars)

(x) Financial instruments

1. Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are initially recognized at the transaction value and subsequently carried at amortized cost less impairment losses using the effective interest rate method. Interest income is recognized by applying the effective interest rate.

The Company has classified cash and cash equivalents and short-term investments contained in other assets as "loans and receivables".

2. Financial assets at fair value through profit or loss ("FVTPL")

Financial assets are classified as FVTPL where the asset is either held for trading or is specifically designated as FVTPL. Gains and losses arising from changes in fair value of these assets are recognised in the statement of loss for the period. A financial asset is classified as held for trading if it has been acquired principally for the purpose of selling in the near future.

The Company has classified marketable securities contained in other assets as "financial assets at FVTPL".

3. Other financial liabilities

Trade payables and other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest rate method.

The Company has classified accounts payable and accrued liabilities as "other financial liabilities".

(xi) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

**b. Recent accounting pronouncements**

A number of new standards, amendments, and interpretations are effective for annual periods beginning on or after January 1, 2016 and have not been applied in preparing these consolidated financial statements. The Company is in the process of determining the impact that these changes will have on its financial statements.

- (i) IFRS 16 – *Leases* specifies how an issuer will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less, or the underlying asset has an insignificant value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

IFRS 16 was issued in January 2016 and applies to annual reporting periods beginning on or after January 1, 2019.

- (ii) IFRS 9 - *Financial instruments* addresses the classification, measurement and recognition of financial assets and financial liabilities. The IASB has previously issued versions of IFRS 9 that introduced new classification and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). The July 2014 publication of IFRS 9 is the completed version of the Standard, replacing earlier versions of IFRS 9 and superseding the guidance relating to the classification and measurement of financial instruments in IAS 39 - *Financial Instruments: Recognition and Measurement*.

IFRS 9 requires financial assets to be classified into three measurement categories on initial recognition: those measured at fair value through profit and loss, those measured at fair value through other comprehensive income and those measured at amortized cost. Investments in equity instruments are required to be measured by default at fair value through profit or loss. However, there is an irrevocable option to present fair value changes in other comprehensive income. Measurement and classification of financial assets is dependent on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change relating to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

**4. SHORT-TERM INVESTMENTS**

As at December 31, 2015 the Company had \$9,500,000 (2014 - \$9,000,000) invested in guaranteed investment certificates ("GICs") at interest rates ranging from 0.95% to 1.45%. All GICs are denominated in Canadian dollars. Interest is accrued during the term and totalled \$73,425 at December 31, 2015 (2014 - \$101,533).

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**5. OTHER ASSETS**

In December 2015, Western received 4.2 million common shares of Copper North Mining Corp. ("Copper North") as payment for corporate cost recoveries relating to shared office and employee charges dating as far back as 2013. As at December 31, 2015, the common shares of Copper North had a market value of \$0.03 per common share. The remainder of others assets are comprised of miscellaneous receivables and prepaid expenses.

**6. 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-molybdenum porphyry deposit, is located in Yukon, Canada.

All claims comprising the Casino Project are subject to a 2.75% net smelter returns royalty (the "NSR Royalty") on the future sale of any metals and minerals derived therefrom. Western has the option to repurchase 0.75% of the NSR Royalty (resulting in a rate of 2%) for US\$59 million if the amount is paid on or before December 31, 2017.

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, 2013</b>	<b>27,034,538</b>
Claims maintenance	3,390
Engineering	456,759
Permitting	4,136,478
Salary and wages	793,348
Share-based payments	121,004
<b>DECEMBER 31, 2014</b>	<b>32,545,517</b>
Engineering	518,331
Permitting	2,506,343
Salary and wages	740,132
Share-based payments	79,472
<b>DECEMBER 31, 2015</b>	<b>36,389,795</b>



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**7. 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.

**8. STOCK OPTIONS**

Based on the stock option plan approved by the Company's shareholders at the annual general meeting held on June 24, 2015, the Company 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 December 31, 2015, the Company could issue an additional 3,202,159 stock options under the terms of the 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, 2012</b>	<b>5,273,667</b>	<b>1.50</b>
Granted	1,750,000	0.66
Exercised	(17,000)	0.55
Forfeited	(46,667)	1.53
Expired	(528,333)	1.21
<b>DECEMBER 31, 2013</b>	<b>6,431,667</b>	<b>1.30</b>
Granted	925,000	0.89
Exercised	(510,999)	0.56
Forfeited	(346,667)	1.36
Expired	(100,000)	1.85
<b>DECEMBER 31, 2014</b>	<b>6,399,001</b>	<b>1.29</b>
Granted	875,000	0.52
Forfeited	(205,000)	0.66
Expired	(851,667)	0.98
<b>DECEMBER 31, 2015</b>	<b>6,217,334</b>	<b>1.24</b>

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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	2,242,334	0.57	3.33
\$0.80 – 0.96	2,350,000	0.83	2.25
\$1.59	100,000	1.59	2.04
\$2.84	1,525,000	2.84	0.54
<b>DECEMBER 31, 2015</b>	<b>6,217,334</b>	<b>1.24</b>	<b>2.22</b>

Of the total stock options outstanding, 4,808,994 were vested and exercisable at December 31, 2015. The weighted average exercise price of vested stock options is \$1.41 and the average remaining contractual life is 1.65 years.

## 9. SHARE-BASED PAYMENTS

The following is a summary of stock options granted by the Company in 2015 and 2014 and the 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	August 10, 2015	March 13, 2015	July 17, 2014	May 7, 2014
Stock options granted	775,000	100,000	825,000	100,000
Exercise price	\$0.50	\$0.67	\$0.88	\$0.96
Market price	\$0.47	\$0.67	\$0.88	\$0.96
Expected option term (years)	3.0	3.0	3.0	3.0
Expected stock price volatility	66.8%	68.4%	69.5%	69.5%
Average risk-free interest rate	0.46%	0.52%	1.11%	1.17%
Expected forfeiture rate	-	-	-	-
Expected dividend yield	-	-	-	-
<b>FAIR VALUE ASSIGNED</b>	<b>\$154,000</b>	<b>\$30,000</b>	<b>\$335,000</b>	<b>\$44,000</b>

## 10. COMMITMENTS

The Company has an agreement to lease its head office space until April 30, 2016. The total amount of payments remaining during the course of the agreement as at December 31, 2015 is \$74,000.

The source of the majority of the Company's funds is proceeds received from the sale of the NSR Royalty in December 2012. The Company is required to use these proceeds for the development of the Casino Project and for general working capital purposes; provided that the general working capital purposes of Western do not include the acquisition and development of any mineral properties unrelated to the Casino Project.

Other commitments related to exploration and evaluation assets are described in note 6.

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**11. 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 year ended December 31,	2015	2014	2013
	\$	\$	\$
Salaries and director fees	871,282	931,388	902,941
Share-based payments	196,372	265,178	564,289
<b>MANAGEMENT COMPENSATION</b>	<b>1,067,654</b>	<b>1,196,566</b>	<b>1,467,230</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.

**12. SEGMENTED INFORMATION**

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

**13. INCOME TAXES**

**a. Rate reconciliation**

The income tax expense or recovery reported by the Company differs from the amounts obtained by applying statutory rates to the loss and comprehensive loss. A reconciliation of the income tax provision computed at statutory rates to the reported income tax provision is provided below:

For the year ended December 31,	2015	2014	2013
Statutory tax rate	26.00%	26.00%	25.75%
	\$	\$	\$
Loss before taxes	2,118,027	1,911,974	1,365,516
Income tax recovery calculated at statutory rate	550,687	497,113	351,620
Non-deductible expenditures	(64,791)	(86,229)	(176,902)
Amounts expensed for tax purposes only	123,547	89,227	128,286
Difference in current tax rate in other jurisdictions	19,458	567	749
Effect of future changes in tax rates	-	-	2,898
Unrecognized tax benefit	(628,901)	(500,678)	(306,651)
<b>INCOME TAX</b>	<b>-</b>	<b>-</b>	<b>-</b>

**b. Unrecognized deferred income tax asset**

Future potential tax deductions that are not used to offset deferred income tax liabilities are considered to be unrecognized deferred income tax assets. The significant components of the Company's unrecognized deferred income tax asset are as follows:

As at December 31,	2015	2014
	\$	\$
Mineral property interests	1,145,950	1,480,996
Non-capital losses	3,143,000	2,343,127
Property and equipment	193,874	179,882
Other items	142,444	143,155
<b>UNRECOGNIZED DEFERRED INCOME TAX ASSET</b>	<b>4,625,268</b>	<b>4,147,160</b>

The Company estimates that the realization of income tax benefits related to these deferred income tax assets is uncertain and cannot be considered to be more likely than not. Accordingly, no deferred income tax asset has been recorded.

**c. Non-capital losses**

The Company has incurred non-capital losses that may be carried forward and used to reduce taxable income of future years. These losses totaled \$11,478,914 as at December 31, 2015 (2014 - \$8,574,441) and will expire between 2030 and 2035.

The Company has approximately \$28.9 million in Canadian exploration and development expenditures, and has cumulative eligible capital and undepreciated capital cost balances totaling \$1.3 million. These amounts are available to reduce future taxable income and do not expire.

**14. CAPITAL MANAGEMENT**

The Company considers capital to be equity attributable to common shareholders, comprised 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 its projects.

The Company also monitors its cash position and its short-term investments 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 period. Western has no debt and does not pay dividends. The Company is not subject to any externally imposed capital requirement.

## **15. 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 and credit risk from the use of financial instruments. Financial instruments consist of cash and cash equivalents, short-term investments, 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 as far as possible 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. It 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.