

Western Copper Corporation

Consolidated Financial Statements

September 30, 2008

(Unaudited - expressed in Canadian dollars)

Western Copper Corporation

Consolidated Balance Sheets (unaudited)

(expressed in Canadian dollars)

| | September 30, 2008 | December 31, 2007 |
|--|-------------------------------|------------------------------|
| | \$ | \$ |
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | 16,460,243 | 23,726,947 |
| Other receivables | 97,911 | 116,734 |
| Prepaid expenses | 39,080 | 55,076 |
| | <hr/> | <hr/> |
| | 16,597,234 | 23,898,757 |
| PROPERTY AND EQUIPMENT (note 4) | 63,649 | 63,273 |
| MINERAL PROPERTIES (note 5) | 64,047,426 | 57,194,181 |
| | <hr/> | <hr/> |
| | 80,708,309 | 81,156,211 |
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued liabilities | 1,501,448 | 907,825 |
| FUTURE INCOME TAX | 10,310,549 | 10,310,549 |
| | <hr/> | <hr/> |
| | 11,811,997 | 11,218,374 |
| SHAREHOLDERS' EQUITY | | |
| SHARE CAPITAL (note 6) | 71,951,130 | 71,883,630 |
| CONTRIBUTED SURPLUS (note 6) | 22,542,151 | 22,091,594 |
| DEFICIT | (25,596,969) | (24,037,387) |
| | <hr/> | <hr/> |
| | 68,896,312 | 69,937,837 |
| | <hr/> | <hr/> |
| | 80,708,309 | 81,156,211 |
| Commitments (notes 5 and 8) | | |

Approved by the Board of Directors

 'Robert J. Gayton' Director

 'Klaus Zeitler' Director

The accompanying notes are an integral part of these financial statements.

Western Copper Corporation

Consolidated Statements of Loss, Comprehensive Loss, and Deficit (unaudited)

(expressed in Canadian dollars)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|------------|------------------------------------|------------|
| | 2008 | 2007 | 2008 | 2007 |
| | \$ | \$ | \$ | \$ |
| EXPLORATION | - | - | - | 2,512,439 |
| ADMINISTRATIVE EXPENSES | | | | |
| Accounting and legal | 87,962 | 85,183 | 297,877 | 332,886 |
| Office and administration | 442,044 | 532,036 | 1,418,287 | 1,654,666 |
| Promotion and travel | 106,826 | 81,901 | 261,738 | 526,607 |
| Regulatory and filing fees | 16,580 | 3,865 | 71,605 | 78,471 |
| | 653,412 | 702,985 | 2,049,507 | 2,592,630 |
| LOSS BEFORE OTHER ITEMS | 653,412 | 702,985 | 2,049,507 | 5,105,069 |
| OTHER ITEMS | | | | |
| Interest income | (129,718) | (318,995) | (510,952) | (994,800) |
| Foreign exchange | 6,809 | 1,077 | 21,027 | 10,382 |
| LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD | 530,503 | 385,067 | 1,559,582 | 4,120,651 |
| DEFICIT – BEGINNING OF PERIOD | 25,066,466 | 24,547,005 | 24,037,387 | 20,811,421 |
| DEFICIT – END OF PERIOD | 25,596,969 | 24,932,072 | 25,596,969 | 24,932,072 |
| BASIC AND DILUTED LOSS PER COMMON SHARE | 0.01 | 0.01 | 0.02 | 0.06 |
| WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING | 72,819,036 | 72,729,906 | 72,792,941 | 72,394,243 |

The accompanying notes are an integral part of these financial statements.

Western Copper Corporation

Consolidated Statements of Cash Flow (unaudited)

(expressed in Canadian dollars)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|-------------|------------------------------------|-------------|
| | 2008 | 2007 | 2008 | 2007 |
| | \$ | \$ | \$ | \$ |
| Cash flows provided by (used in) | | | | |
| OPERATING ACTIVITIES | | | | |
| Loss for the period | (530,503) | (385,067) | (1,559,582) | (4,120,651) |
| Items not affecting cash | | | | |
| Amortization | 9,925 | 8,794 | 27,323 | 26,105 |
| Stock-based compensation (note 7) | 110,344 | 203,015 | 330,414 | 721,688 |
| | 120,269 | 211,809 | 357,737 | 747,793 |
| Change in non-cash working capital items | 52,515 | 40,046 | 45,635 | (257,981) |
| | (357,719) | (133,212) | (1,156,210) | (3,630,839) |
| FINANCING ACTIVITIES | | | | |
| Exercise of stock options | - | 12,800 | 500 | 447,700 |
| | - | 12,800 | 500 | 447,700 |
| INVESTING ACTIVITIES | | | | |
| Decrease in short-term investments | - | - | - | 34,791,988 |
| Mineral property expenditures | (1,681,572) | (3,997,242) | (6,083,295) | (7,574,591) |
| Acquisition of Property and Equipment | (27,699) | - | (27,699) | - |
| | (1,709,271) | (3,997,242) | (6,110,994) | 27,217,397 |
| Increase (decrease) in cash and cash equivalents | (2,066,990) | (4,117,654) | (7,266,704) | 24,034,258 |
| Cash and cash equivalents - Beginning of period | 18,527,233 | 30,441,934 | 23,726,947 | 2,290,022 |
| Cash and cash equivalents - End of period | 16,460,243 | 26,324,280 | 16,460,243 | 26,324,280 |

The accompanying notes are an integral part of these financial statements.

Western Copper Corporation

Consolidated Statements of Shareholders' Equity (unaudited)

(expressed in Canadian dollars)

| | Share Capital | | Contributed surplus \$ | Deficit \$ | Shareholders' equity \$ |
|--|-------------------|-------------------|---------------------------|---------------------|----------------------------|
| | Number of shares | Amount \$ | | | |
| Balance – December 31, 2006 | 71,524,036 | 69,913,797 | 22,455,594 | (20,811,421) | 71,557,970 |
| Exercise of stock options | 1,245,000 | 447,700 | - | - | 447,700 |
| Transfer of value on exercise of stock options | - | 1,522,133 | (1,522,133) | - | - |
| Stock-based compensation | - | - | 1,158,133 | - | 1,158,133 |
| Loss and comprehensive loss | - | - | - | (3,225,966) | (3,225,966) |
| Balance – December 31, 2007 | 72,769,036 | 71,883,630 | 22,091,594 | (24,037,387) | 69,937,837 |
| Exercise of stock options | 50,000 | 500 | - | - | 500 |
| Transfer of value on exercise of stock options | - | 67,000 | (67,000) | - | - |
| Stock-based compensation | - | - | 517,557 | - | 517,557 |
| Loss and comprehensive loss | - | - | - | (1,559,582) | (1,559,582) |
| Balance – September 30, 2008 | 72,819,036 | 71,951,130 | 22,542,151 | (25,596,969) | 68,896,312 |

Western Copper Corporation

Notes to the Consolidated Financial Statements (unaudited)

September 30, 2008

(expressed in Canadian dollars)

1 Nature of operations

Western Copper Corporation (“Western Copper” or the “Company”) is an exploration stage company that is directly engaged in exploration and development of mineral properties in Mexico and Canada. The recoverability of the amounts shown for mineral property is dependent upon the existence of economically recoverable reserves and the Company’s ability to secure and maintain title and beneficial interest in the properties, to obtain the necessary financing to continue the exploration and future development of the properties, or to realize the carrying amount through a sale.

2 Basis of presentation

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for the preparation of interim statements. Accordingly, these interim statements do not contain all the information required for annual financial statements and should be read in conjunction with the audited annual consolidated financial statements of Western Copper Corporation as at, and for the year ended, December 31, 2007. These consolidated financial statements follow the same accounting policies and methods of application as the December 31, 2007 audited annual consolidated financial statements of Western Copper Corporation, except as described in note 3.

3 Change in accounting policies

a) Section 1400 – Going Concern

This section has been amended to include requirements for management to assess an entity’s ability to continue as a going concern. Financial statements shall be prepared on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. When management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, those uncertainties shall be disclosed.

b) Section 1535 – Capital Disclosures

This section establishes standards for disclosing information about an entity's capital and how it is managed. Under this standard the Company is required to disclose the following:

- qualitative information about its objectives, policies and processes for managing capital;
- summary quantitative data about what it manages as capital;
- whether during the period it complied with any externally imposed capital requirements to which it is subject; and
- when the company has not complied with such externally imposed capital requirements, the consequences of such non-compliance.

Disclosures required by this section are included in note 6(c).

Western Copper Corporation

Notes to the Consolidated Financial Statements (unaudited)

September 30, 2008

(expressed in Canadian dollars)

c) Section 3862 – Financial Instruments, Disclosures

This section requires entities to provide disclosure of quantitative and qualitative information in their financial statements that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and management's objectives, policies and procedures for managing such risks. Entities are required to disclose the measurement basis or bases used, and the criteria used to determine classification for different types of instruments.

Disclosures required by this section are included in note 11.

d) Section 3863 – Financial Instruments – Presentation

This section establishes standards for presentation of financial instruments and non-financial derivatives.

Disclosures required by this section are included in note 11.

4 Property and equipment

| Description | September 30, 2008 | | |
|-------------------------|--------------------|-----------------------------------|-------------------------|
| | Cost \$ | Accumulated amortization \$ | Net book value \$ |
| Computer equipment | 69,634 | 56,685 | 12,949 |
| Furniture and equipment | 24,486 | 16,201 | 8,285 |
| Leasehold improvements | 63,203 | 47,356 | 15,847 |
| Vehicle | 27,699 | 1,131 | 26,568 |
| | <hr/> | <hr/> | <hr/> |
| | 185,022 | 121,373 | 63,649 |

| Description | December 31, 2007 | | |
|-------------------------|-------------------|-----------------------------------|-------------------------|
| | Cost \$ | Accumulated amortization \$ | Net book value \$ |
| Computer equipment | 69,634 | 46,496 | 23,138 |
| Furniture and equipment | 24,486 | 12,474 | 12,012 |
| Leasehold improvements | 63,203 | 35,080 | 28,123 |
| | <hr/> | <hr/> | <hr/> |
| | 157,323 | 94,050 | 63,273 |

Western Copper Corporation

Notes to the Consolidated Financial Statements (unaudited)

September 30, 2008

(expressed in Canadian dollars)

5 Mineral properties

| | Canada | | | | Mexico | Total |
|---------------------------|-------------------|-------------------|-------------------|-----------------------|-----------------|-------------------|
| | Yukon | | British Columbia | Northwest Territories | Chihuahua | |
| | Carmacks | Casino | Hushamu | Redstone | Sierra Almoloya | |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| December 31, 2006 | 4,300,000 | 13,855,048 | 16,160,487 | 11,872,658 | 319,306 | 46,507,499 |
| Exploration | 3,409,127 | 252,926 | 1,656,386 | 9,000 | - | 5,327,439 |
| Design engineering | 2,061,512 | - | - | - | - | 2,061,512 |
| Engineering studies | 93,186 | 262,101 | - | - | - | 355,287 |
| Permitting | 315,728 | - | 6,020 | - | - | 321,748 |
| Metallurgical testing | 237,964 | 193,225 | 1,525 | - | - | 432,714 |
| Option payment | - | 1,000,000 | 60,000 | - | - | 1,060,000 |
| Advance royalty | 100,000 | - | - | - | - | 100,000 |
| Claims maintenance | - | 6,205 | 15,862 | 106,147 | 17,250 | 145,464 |
| Salary and wages | 300,956 | 123,325 | 52,525 | 11,875 | - | 488,681 |
| Stock-based compensation | 175,317 | 56,696 | 32,383 | 7,985 | - | 272,381 |
| Future income tax | 75,136 | 24,298 | 2,953 | 11,676 | 7,393 | 121,456 |
| December 31, 2007 | 11,068,926 | 15,773,824 | 17,988,141 | 12,019,341 | 343,949 | 57,194,181 |
| Exploration | 72,150 | 944,391 | 2,504 | 193 | - | 1,019,238 |
| Design engineering | 1,916,186 | - | - | - | - | 1,916,186 |
| Engineering studies | - | 884,280 | - | - | - | 884,280 |
| Permitting | 362,493 | 813,282 | - | - | - | 1,175,775 |
| Metallurgical testing | 88,207 | 314,376 | - | - | - | 402,583 |
| Mine equipment | 230,837 | - | - | - | - | 230,837 |
| Camp assets | - | 236,034 | - | - | - | 236,034 |
| Option payment | - | - | 80,000 | - | - | 80,000 |
| Advanced royalty | 100,000 | - | - | - | - | 100,000 |
| Claims maintenance | 12,911 | 4,234 | 1,060 | 116,462 | 61,052 | 195,719 |
| Salary and wages | 169,700 | 236,000 | 11,250 | 8,500 | - | 425,450 |
| Stock-based compensation | 90,148 | 93,324 | 1,383 | 2,288 | - | 187,143 |
| September 30, 2008 | 14,111,558 | 19,299,745 | 18,084,338 | 12,146,784 | 405,001 | 64,047,426 |

Western Copper Corporation

Notes to the Consolidated Financial Statements (unaudited)

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(expressed in Canadian dollars)

a) Carmacks (100% - Yukon, Canada)

The Carmacks Copper Project is an oxide copper deposit, with a small gold component, which is located in the Yukon Territory, Canada. A feasibility study completed in 2007 supports the development of an open pit mine with crushing, sulphuric acid heap leaching, solvent extraction and electrowinning processing to produce cathode copper.

Any production from the Carmacks Copper Project is subject to either a 15% net profits interest or a 3% net smelter royalty, at Western Copper's election. If Western Copper elects the net smelter royalty, it has the right to purchase the royalty for \$2.5 million, less any advance royalty payments made to that date. The Company is required to make an advance royalty payment of \$100,000 for any year in which the average daily copper price reported by the London Metal Exchange is US\$1.10 per pound or greater. As at September 30, 2008, Western Copper has made \$500,000 in advance royalty payments. The advanced royalty relating to the current year has been accrued.

In 2001, the Carmacks Copper Project was written down to its estimated fair value based on feasibility study information available and what management believed the property could be sold for at that time. In April 2007, Western Copper released the results of its updated feasibility study on the Carmacks Copper Project.

Western Copper expensed all ongoing costs related to exploration of the Carmacks Copper Project prior to the release of the results of the updated feasibility study. Since the release of the feasibility study, the Company has been capitalizing costs incurred on the project.

b) Casino (100% - Yukon, Canada)

The Casino porphyry copper-gold-molybdenum property is located in west-central Yukon. The results of the pre-feasibility study were announced in June 2008.

On August 9, 2007, Western Copper exercised its option on the Casino property. As a result, the Company acquired the mineral claims that comprise the Casino property in exchange for a \$1 million cash payment to Great Basin Gold Ltd.

Should it make a production decision, Western Copper is required to make an additional cash payment of \$1 million to Great Basin Gold Ltd.

The claims are also subject to a 5% net profits interest.

c) Hushamu (100% - British Columbia, Canada)

The Hushamu property consists of three blocks of mineral claims in a prospective copper/gold porphyry belt located on northern Vancouver Island. The mineral claim blocks are referred to as the Hushamu claims, the Apple Bay claims, and the Rupert Block.

Should a production decision be made on the Hushamu claims, Western Copper is required to make a cash payment of \$1 million to an unrelated third party within 60 days of the production decision. These mineral claims are also subject to a 10% net profits interest.

Western Copper Corporation

Notes to the Consolidated Financial Statements (unaudited)

September 30, 2008

(expressed in Canadian dollars)

On January 31, 2008, Western Copper made the final payment required under its option agreement with Electra Gold Ltd. ("Electra") in the amount of \$80,000. As a result, the Company acquired 100% interest in the Apple Bay mineral claims previously held by Electra. Should a production decision be made on the Apple Bay claims, Western Copper is required to pay \$800,000 in cash or in Western Copper stock to Electra. The payment method is at the election of Western Copper.

Electra maintains the right to explore the Apple Bay claims for non-metallic minerals.

On August 25, 2008, Western Copper signed an option and joint venture agreement with IMA Exploration Inc. ("IMA") that gives IMA the option to earn a 70% interest in the Hushamu property. Pursuant to the terms of the agreement, IMA has agreed to expend a minimum of \$1.9 million in the first year of a three year option period. Over years two and three IMA is required to spend an additional \$13.1 million towards the completion of a pre-feasibility report on the Hushamu deposit located on the Hushamu claim block. These expenditures, a total of \$15 million, and the completion of a pre-feasibility report will earn IMA a 49% interest in the project. IMA can earn an additional 16% by funding a subsequent feasibility study by the end of the fourth year and an additional 5% by completing mine permitting. The option period began on the execution date of the option and joint venture agreement.

d) Redstone (100% - Northwest Territories, Canada)

The Redstone property comprises five mining leases and 55 mineral claims.

Should production be achieved, the five mining leases are subject to a net smelter royalty of between 3-4% depending on the monthly average of the final daily spot price of copper reported on the New York Commodities Exchange relating to each production month, as follows:

- 3% if the price is less than, or equal to US\$0.75 per pound;
- 3.5% if the price is greater than US\$0.75 per pound, but less than or equal to US\$1.00 per pound; and
- 4% if the price is greater than US\$1 per pound.

e) Sierra Almoloya (100% - Chihuahua, Mexico)

The Sierra Almoloya property is located in the state of Chihuahua, Mexico.

A small number of claims were subject to a US\$200,000 option payment due to a third party on April 20, 2008. The Company has decided not to exercise its option on those claims.

A portion of the claims is subject to a 1% net smelter royalty.

Western Copper Corporation

Notes to the Consolidated Financial Statements (unaudited)

September 30, 2008

(expressed in Canadian dollars)

6 Share capital and contributed surplus

a) Share capital

| | |
|------------------------|--|
| Authorized | Unlimited Class A voting shares with a par value of \$0.00001 Unlimited common shares without par value Unlimited number of preferred shares without par value |
| Issued and outstanding | 72,819,036 common shares |

b) Contributed surplus

The contributed surplus balance includes amounts paid by the Company's predecessor to finance its copper business from 1989, when the rights to the Carmacks Copper Project claims were acquired, to May 3, 2006, when those rights were transferred to Western Copper. At September 30, 2008 and December 31, 2007, contributed surplus includes \$21,570,251 relating to the activities of Western Copper's predecessor.

Other than the historical balance described above, the Company's contributed surplus represents the fair value of stock options and warrants recorded over their vesting period. The fair value of stock options and warrants is transferred to share capital when the stock options or warrants are exercised. In the event that stock options are cancelled or forfeited prior to vesting, the associated fair value recorded to date is reversed from the statement of loss or balance sheet item to which the fair value was originally charged in the period in which the stock options are cancelled or forfeited. The fair value of any vested stock option that expires remains in contributed surplus. The fair value of any warrant that expires also remains in contributed surplus.

c) Capital Disclosure

The Company manages its common shares and stock options as capital. As the Company is in the exploration stage, its principal source of funds is from the issuance of common shares. 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 for the benefit of its stakeholders. The Company is not subject to any externally imposed capital requirement.

Western Copper Corporation

Notes to the Consolidated Financial Statements (unaudited)

September 30, 2008

(expressed in Canadian dollars)

7 Stock options and warrants

a) Stock options

Based on the Company's Stock Option Plan, the Company may issue stock options for the purchase of up to 10% of issued capital. The exercise price of the stock options shall 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, 2008, the Company could issue an additional 3,475,070 stock options.

A summary of the Company's outstanding stock options at September 30, 2008 and the changes for the period then ended, is presented below:

| | Stock options | Weighted average exercise price \$ |
|------------------------------|--------------------------|---|
| Balance - December 31, 2007 | 3,261,834 | 1.57 |
| Granted | 820,000 | 1.28 |
| Exercised | (50,000) | 0.01 |
| Expired | (225,000) | 1.96 |
| Balance - September 30, 2008 | <u>3,806,834</u> | <u>1.51</u> |

Stock options outstanding at September 30, 2008 are as follows:

| Exercise price \$ | Stock options outstanding | Weighted average exercise price \$ | Average remaining contractual life (years) |
|----------------------------------|--------------------------------------|---|---|
| 0.36-0.88 | 861,834 | 0.83 | 1.16 |
| 1.25 | 945,000 | 1.25 | 4.32 |
| 1.39 | 150,000 | 1.39 | 4.85 |
| 1.88 | 590,000 | 1.88 | 3.53 |
| 2.00 | 1,260,000 | 2.00 | 2.43 |
| | <u>3,806,834</u> | <u>1.51</u> | <u>2.88</u> |

Of the total stock options granted and outstanding, 2,543,498 were vested and exercisable at September 30, 2008. The weighted average exercise price of vested stock options is \$1.53.

Western Copper Corporation

Notes to the Consolidated Financial Statements (unaudited)

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(expressed in Canadian dollars)

b) Stock-based compensation

The fair value of all stock options granted by the Company to employees, and non-employees, is treated as compensation costs in accordance with CICA Handbook section 3870 Stock-based Compensation. These costs are charged to the statement of loss or, if appropriate, are capitalized to mineral properties over the stock option vesting period. The Company's allocation of stock-based compensation is consistent with its treatment of other types of compensation for each recipient.

Stock-based compensation has been allocated to the following line items:

| | Three months ended September 30, 2008 | | Nine months ended September 30, 2008 | |
|---|---|----------------|--|----------------|
| | \$ | 2007 | \$ | 2007 |
| | | | | \$ |
| Statement of loss, comprehensive loss, and deficit | | | | |
| EXPLORATION | - | - | - | 106,715 |
| ADMINISTRATIVE EXPENSES | | | | |
| Office and administration | 99,049 | 188,113 | 304,725 | 573,447 |
| Promotion and travel | 11,295 | 14,902 | 25,689 | 41,526 |
| | <u>110,344</u> | <u>203,015</u> | <u>330,414</u> | <u>721,688</u> |
| Balance sheet | | | | |
| MINERAL PROPERTIES | | | | |
| Carmacks Copper Project | 29,192 | 72,965 | 90,148 | 120,863 |
| Casino | 43,899 | 20,515 | 93,324 | 33,211 |
| Hushamu | - | 12,946 | 1,383 | 30,770 |
| Redstone | - | 2,071 | 2,288 | 7,984 |
| | <u>73,091</u> | <u>108,497</u> | <u>187,143</u> | <u>192,828</u> |
| | <u>183,435</u> | <u>311,512</u> | <u>517,557</u> | <u>914,516</u> |

The value of stock-based compensation awards is determined at the time of grant using the Black-Scholes option pricing model.

On August 5, 2008, Western Copper granted 150,000 stock options to an employee at \$1.39 per share. The fair value of these stock options totalled \$140,100. This value was calculated using the Black-Scholes option pricing model and the following assumptions:

| | |
|---------------------------------|-------|
| Expected stock price volatility | 81.9% |
| Expected option term, in years | 5.0 |
| Average risk-free interest rate | 3.33% |
| Expected dividend yield | - |

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(expressed in Canadian dollars)

On June 24, 2008, Western Copper granted 670,000 stock options to employees and directors at \$1.25 per share. The fair value of these stock options totalled \$469,000. This value was calculated using the Black-Scholes option pricing model and the following assumptions:

| | |
|---------------------------------|-------|
| Expected stock price volatility | 78.3% |
| Expected option term, in years | 5.0 |
| Average risk-free interest rate | 3.24% |
| Expected dividend yield | - |

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options and/or warrants granted and/or vested during the period.

c) Warrants

The Company's warrants expired on May 3, 2008. A summary of the changes in warrants outstanding for the period ended September 30, 2008, is presented below:

| | Warrants outstanding | Exercise price |
|------------------------------|-----------------------------|-----------------------|
| | | \$ |
| Balance - December 31, 2007 | 2,562,979 | 3.50 |
| Expired | (2,562,979) | 3.50 |
| | <hr/> | <hr/> |
| Balance - September 30, 2008 | - | - |

The value of warrants is determined by using the Black-Scholes option pricing model and is determined at the time the warrants are issued.

8 Commitments

The Company has an agreement to lease office space which expires October 31, 2009. The total amount of payments remaining during the course of the agreement is \$293,838, of which \$271,235 is due over the next 12 months. The remaining \$22,603 is due on October 1, 2009.

The Company has an agreement to lease office space in the Yukon which expires November 30, 2011. The total amount of payments remaining during the course of the agreement is \$69,984, of which \$19,440 is due over the next 12 months. The remaining \$50,544 is due from October 1, 2009 to November 30, 2011.

Mineral property commitments are described in note 5.

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(expressed in Canadian dollars)

9 Related party transactions

During the nine months ended September 30, 2008, the Company charged overhead expenses to one of its directors in the amount of \$5,511 (2007 - \$5,464). The Company credited this amount against office and administration expenses on the statement of loss.

Related party transactions are measured at the exchange amount.

10 Segmented information

a) Industry information

The Company operates in one reportable operating segment: the acquisition, exploration, and future development of resource properties.

b) Geographic information

All interest is earned in Canada.

The Company's mineral properties are located in Canada and Mexico. The geographical breakdown of mineral properties is shown in note 5. All other non-current assets are held in Canada.

11 Financial instruments

a) Designation

Western Copper has designated its financial instruments as follows:

- i) Cash and cash equivalents are classified as "Available-for-Sale" and are recorded at their fair value;
- ii) Other receivables are classified as "Loans and Receivables". These financial assets are recorded at their amortized cost using the effective interest method; and
- iii) Accounts payable and accrued liabilities are classified as "Other Financial Liabilities". These financial liabilities are recorded at their amortized cost using the effective interest method.

b) Fair value

Due to the short-term nature of other receivables and accounts payable and accrued liabilities, the Company estimates that their carrying value approximates their fair value.

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(expressed in Canadian dollars)

c) Credit risk

Financial instruments that potentially subject the Company to credit risk consist primarily of cash and cash equivalents. The Company deposits cash and cash equivalents with high credit quality financial institutions located in Canada.

d) Currency risk

The majority of the Company's expenditures are incurred in Canadian dollars. To limit its exposure to currency risk, the Company maintains the majority of its cash and cash equivalents in Canadian dollars.