



**Western continues to de-risk its world class Casino project which is now formally in the permitting stage. LME Copper inventories are currently at a 6 year low, setting the stage for near and long term increases in copper prices.**



Dear Shareholders,

The past year was dominated by negative sentiment towards the commodities sector despite a positive outlook for renewed growth in the developed world and continued high growth in China. This negative sentiment has weighed heavily on metal prices and as a result they have moved sideways or down with little regard to supply and demand fundamentals. London Metal Exchange (LME) copper inventories have fallen dramatically since July 2013 when they topped out at around 700,000 tonnes to their current level of 190,000 tonnes – an inventory level not seen since 2008 when copper prices touched above \$4.00/lb per pound as compared to today where they are hovering near US\$3.00 per pound.

The world's leading authorities on copper fundamentals are predicting a small copper surplus in 2014 and 2015, and then a deficit for the foreseeable future. The pipeline of copper projects that were expected to come on stream after 2015 are for the most part on hold due to permitting delays, cost escalation and increasing political risk. This lack of new mine development will ultimately result in much higher metal prices.

In 2013, Western Copper and Gold focused on de-risking our world class Casino copper, gold, silver and molybdenum deposit in the Yukon, Canada. Most of our time and effort was spent on the preparation of our project proposal for screening by the Yukon Environmental and Socio-Economic Assessment Board, the first step towards getting the project permitted. This application was submitted in early January 2014 and we expect to have all the permits in place and be ready for construction in 2016.

To date, Western Copper and Gold has spent \$18 million on work supporting the project proposal. The significant cost of the application is in-line with expectations and we have been very prudent with our cash management. Western Copper and Gold finished 2013 with more than \$20 million, which is expected to be sufficient funds to complete the permitting process, as well as basic and detailed engineering.

The economic benefits to the community will be substantial, as it is estimated that the Casino mine will contribute \$274 million per year to Yukon's economy. In total the Casino Project is expected to generate \$3.1 billion in taxes and royalties to various governments during the life of the mine. Based on our understanding of the land settlement agreements in place, 10% of the royalties retained by the Yukon government will be forwarded to Yukon First Nations. We estimate that approximately 70 million in royalty payments will be payable directly to Yukon First Nations for the life of the mine.

As outlined in previous letters, the Casino deposit is a very large copper gold and molybdenum porphyry system with a large oxide gold cap, a well-developed zone of supergene copper mineralization and a very consistent hypogene zone of copper, gold and molybdenum mineralization. The 22-year reserve contains in excess of 1.1 billion tonnes of ore, which will be mined from one open pit mine that has an extremely low stripping ratio. In the first four years of operation, the mine is projected to produce on an annual basis, 245 million pounds of copper, 399 thousand ounces of gold, 1.77 million ounces of silver and 15.3 million



pounds of molybdenum – production that will establish the mine as one of the largest in Canada.

The feasibility study showed excellent economics with an after-tax internal rate of return (“IRR”) of 20.1% and an after-tax net present value (“NPV”) of \$1.8 billion using US\$3.00 per pound copper, and US\$1,400 per ounce gold. The upside potential is phenomenal should metal prices increase, but it is comforting to know that the economics are robust enough to provide attractive returns (15% IRR, \$1.0 billion NPV) at US\$2.75 per pound copper and US\$1,100 per ounce gold.

In summary, it was a challenging year for the capital markets; however, Western Copper and Gold has been in the enviable position of having funds and no need to access the capital market for financing. As such, we continued to methodically achieve our stated milestones and de-risk the Casino Project. Western Copper and Gold has assembled an exceptionally qualified group of mining professionals and I am confident that in 2014 they will continue to move the project diligently through the permitting process towards getting the project construction ready.

On behalf of the Board of Directors

F. Dale Corman  
Chairman and CEO

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