

Fundamental

Research Corp.

Investment Analysis for Intelligent Investors

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Western Copper Corp. (TSX: WRN) – Carmacks continues to progress through the permitting stage; Valuation raised - FINAL REPORT

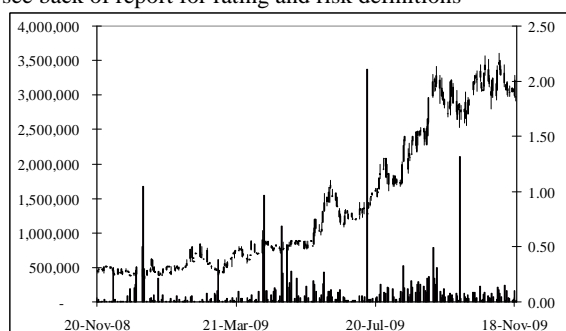
Sector/Industry: Junior Mining

www.westerncoppercorp.com

Market Data (as of November 23, 2009)

Current Price	C\$1.83
Fair Value	C\$3.73 (↑)
Rating*	BUY
Risk*	5 (Highly Spec)
52 Week Range	C\$0.21 - C\$2.25
Shares O/S	76.83 mm
Market Cap	C\$140.60 mm
Current Yield	N/A
P/E (forward)	N/A
P/B	1.98
YoY Return	510.0%
YTD TSX	42.5%

*see back of report for rating and risk definitions



Investment Highlights

- The Yukon Department of Energy, Mines and Resources has granted the company a Quartz Mining License for the Carmacks property allowing for the commencement of construction. A Water Use License is the only permit that remains outstanding.
- Quantec Geoscience Limited completed a Titan 24 deep penetrating geophysical survey over the Casino deposit and surrounding area. The survey identified additional zones with potential to host mineralization.
- A 10,000 meter exploration program was executed at Casino.
- The company is in a good cash position. At the end of September 2009, WRN had \$11.79 million in cash, cash equivalents and short-term investments. Working capital was \$9.60 million.
- We have raised our valuation from \$2.00 to \$3.73 per share.

Key Financial Data (FYE - December 31)

(C \$)	2008	2009 (9 mo)
Cash, Cash Equivalents and Short-term Inv.	13,062,366	11,786,066
Working Capital	12,418,461	9,602,158
Mineral Assets	65,702,582	70,960,998
Total Assets	79,216,492	83,316,052
Net Income	(2,159,249)	(1,626,485)
EPS	(0.03)	(0.02)

Western Copper is pursuing production by late 2010/early 2011 at their 100% owned Carmacks Copper Project in the Yukon Territory. The company is in receipt of a Quartz Mining License enabling the commencement of construction. The copper resource is amenable to low cost acid heap leaching.

Carmacks **Permitting**

The Carmacks project is continuing to progress through the engineering/permitting stage. Granting of a Quartz Mining License by the Yukon Department of Energy, Mines and Resources, allows for the commencement of construction. The ability to operate will come with the granting of a Water Use License which was updated, and submitted, to the Yukon Water Board in December 2008. The company has slated construction to begin in 2010, with the commencement of production in 2011.

Development Timeline

In previous reports, we discussed the company's intention to begin production in late 2010/early 2011. We now feel it is more reasonable to expect production to begin in late 2011/early 2012.

The company is also intending on completing an updated feasibility study on the project which will commence following the receipt of a Water Use License.

The company also points out the following three value adding opportunities at the Carmacks Deposit:

- Increase oxide ore reserves
- Assess the economics of recovering gold
- Develop the sulphide ore resource

The highest potential for further development is likely in increasing oxide reserves.

Casino

Advances at, and work completed on the Casino project are as follows:

- Land Use permit obtained from the Yukon Department of Energy, Mines and Resources.
- Fresh samples obtained for geochemical and metallurgical testing.
- Continued collection of baseline environmental data in anticipation of advancing project permitting.
- Preliminary meetings with relevant government departments and First Nations Governments.
- Completion of a 1,500 meter deep penetrating geophysical survey.
- Completion of a 10,000 meter diamond drill program to convert 200 million tonnes of in-pit inferred resources to measured and indicated. A portion of the program was also intended on following up on the findings of the above geophysical survey.

Geophysical Survey and Drilling

Quantec Geoscience Limited completed a Titan 24 deep penetrating geophysical survey covering an area of 5.8 km² and to a depth of 1.5 km. The survey was largely completed to help company geologists fully understand the extent of the Casino deposit by providing a

3-D model of the subsurface environment. In addition to providing the company with a 3D visual representation of known mineralization, the program also identified highly charged IP zones with potential to host further significant mineralization. The company promptly revised the already announced 10,000 meter program to include new targets identified by the survey.

The survey results are important in two respects: 1) The program provided further detail regarding mineralization within the previously defined pit, and 2) Despite the Casino property already having a projected 30 year mine life, the program findings provide the opportunity to expand on current resources. With increased resources, the production rate of the project can theoretically be increased, which will positively benefit the economics of the project.

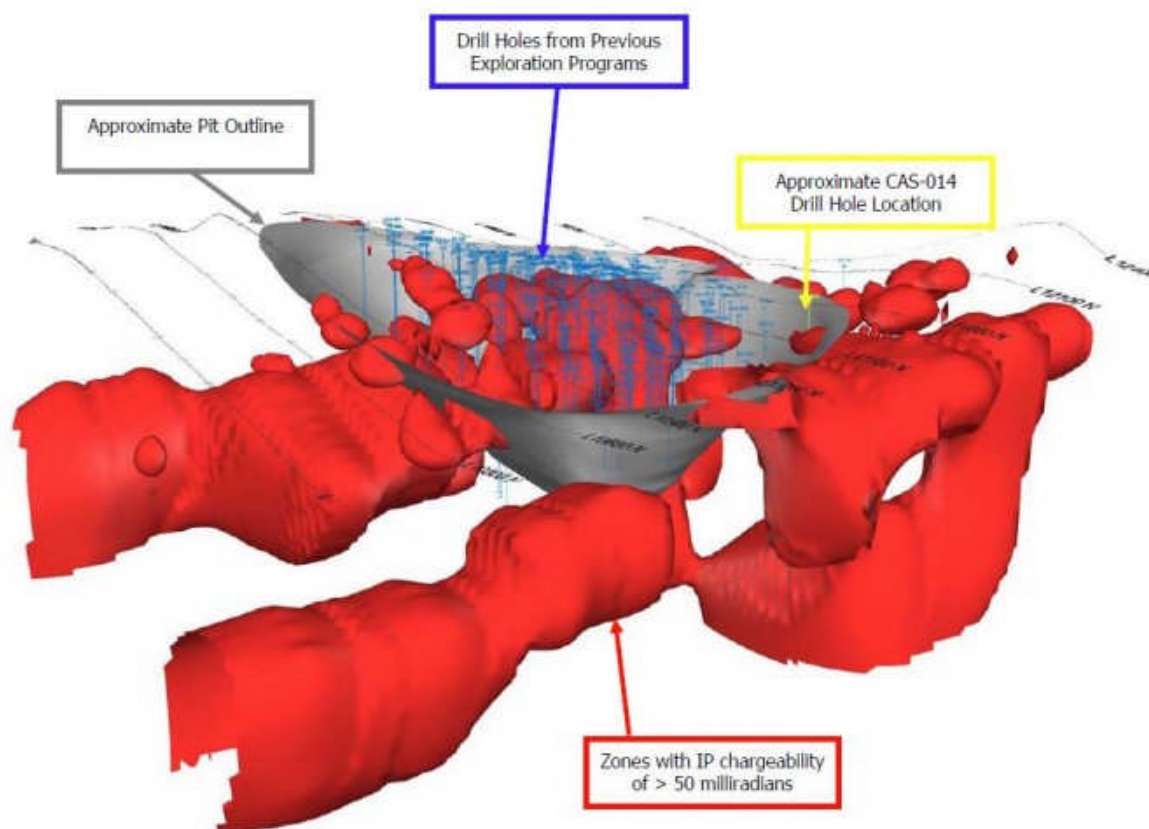


Figure 1: 3-D visualization of IP chargeability zones (red) in relation to the approximate pit outline. (Source: Western Copper Corp.)

Shortly following the completion of the geophysical survey, the company commenced the now completed 10,000 meter drill program on the deposit; the original goal of the program being to upgrade a significant portion of the 200 million tonne hypogene inferred resource to measured or indicated. Hole CAS-014, displayed in Figure 1 above, was the first hole to test a new target identified by the geophysical survey. Copper, gold and molybdenum mineralization was identified which we feel is a positive result despite the below ore grade showing in assays.

The 39-hole drill program tested several different target areas both inside and outside of the currently defined deposit outline, as well as outside of the currently defined pit outline:

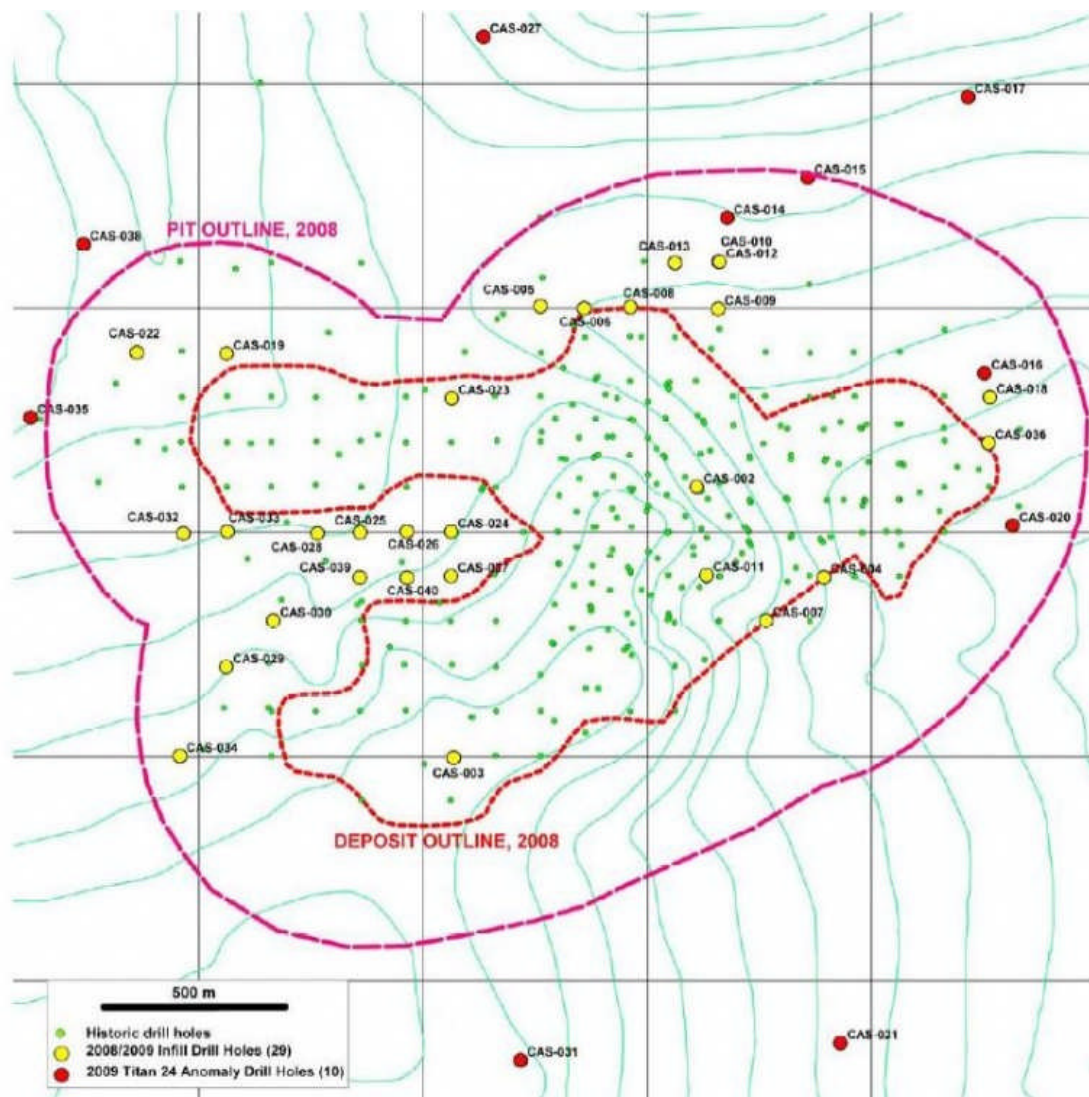


Figure 2: Drill hole locations. (Source: Western Copper Corp.)

Holes within the currently defined deposit outline tested mineralization to depth, successfully identifying above cut-off grade mineralization.

The 10 holes drilled outside of the pit outline tested targets identified by the Titan 24 geophysical survey. Included in these 10 holes was Hole CAS-021 which returned assay results of 9.85% zinc, 0.13% lead, 6.40 g/t silver, and 0.03 g/t gold over 16.75 meters.

Of particular note were 12 holes which tested a latite plug within the pit outline that was previously thought to be barren of mineralization. Within this group, hole CAS-025 returned assay results of 0.518% molybdenum, 0.33% copper, 0.15 g/t gold, and 2.3 g/t silver over 9.5 meters. The company reports that all 12 holes reported significant lengths of above cut-off grade mineralization.

As an additional note, with the increase in silver prices and our continued positive outlook on the metal, we believe, the opportunity to potentially exploit the silver value has become more prevalent.

Hushamu

Kobex Minerals Inc. (“Kobex” TSXV: KXM) has chosen to proceed with its option on the company’s Hushamu copper project on Vancouver Island. Kobex is the result of a three way business combination of IMA Exploration Inc. (the original company to option the Hushamu property from the company), Kobex Resources Ltd., and International Barytex Resources Ltd.

Kobex has met the \$1.9 million first year spending commitment (performed by IMA Exploration Inc. prior to the amalgamation) and will work towards the next goal of completing a pre-feasibility study.

Included in the work performed on the property during the course of meeting the first year spending commitments, IMA completed two diamond drill holes on Hushamu with positive results:

- EC08-03 – 179.3 m @ 0.47 g/t Au, 0.42% Cu, 0.011% Mo, 0.44 g/t Re
- EC08-08 – 164.0 m @ 0.51 g/t Au, 0.30% Cu, 0.007% Mo, 0.42 g/t Re

The grades of these results appear to be comparable to BHP Billiton Limited’s (NYSE: BHP) past-producing Island Copper Mine which lies along the same mineralized trend. The Island Copper Mine produced 345 million tonnes at 0.41% Cu, 0.19g/t Au, 0.017% Mo with by-product Re (rhenium).

We believe the business combination is a strong positive for the company’s interest in the Hushamu project. **At the end of September 2009, Kobex Minerals had \$41.56 million in cash and cash equivalents (working capital was \$41.86 million; debt - nil). We believe this is significant as the Hushamu project appears to be the only material property owned by the new company at this time.**

Redstone

The company is currently sponsoring a research program in the Redstone Sedimentary Copper Belt being conducted by the Mineral Research and Development Unit of the University of British Columbia (UBC). The project, which is titled *Integrating Paleogeography-tectonics, Geochemistry and Thermochronology to Develop Vectors Towards Ore: Redstone Sedimentary Copper Belt, NWT*, is headed by Dr. Kenneth Hickey and is intended to “...improve understanding of the controls on sedimentary Cu mineralization and develop better far-field tracers of the mineralization to aid the detection of deposits in the subsurface.” Completion of the research program should positively influence the company’s future exploration efforts.

The company announced that Mr. Ross Beaty has resigned from his position as Co-chairman and director of the company, and according to a company news release, did so to focus on his new geothermal company. We felt Mr. Beaty’s experience was a significant asset to the company. As such, we are pleased to see that he has agreed to serve as an advisor for the company.

Board of Directors Changes

The company also announced the appointment of Mr. Robert Byford as a director. Mr. Byford's financial and accounting experience should aid the company as it moves towards operations at the Carmacks project.

Robert Byford, CA – Director

Mr. Byford is a former partner of KPMG LLP and Senior Vice President and Director of KPMG Corporate Finance Inc. He graduated from Simon Fraser University in 1969 and obtained his professional qualification as a Chartered Accountant in 1971. He has a background in audit and tax and acquired significant experience with numerous public companies during his 39 years with KPMG and predecessor firms. In 1983 Mr. Byford became Managing Partner of the B.C. Region consulting practice and was a founding partner of the firms corporate finance practice. Mr. Byford has acted as lead financial adviser on a wide range of finance, divestiture and acquisition transactions in many industry sectors. He was an elected Governor of the Vancouver Stock Exchange and has been a frequent speaker on corporate governance, securities and corporate finance matters

Outlook on commodity prices

Although we have maintained our long-term (2012+) copper price forecast at US\$2.03/lb, we have raised our long-term forecasts on gold (US\$600 to US\$750/oz), silver (US\$11 to US\$13.50/oz), and lowered our molybdenum price forecast to US\$10/lb (our previous forecast was US\$17.5/lb in 2013, dropping to US\$10/lb by 2020).

Financials

At the end of Q3-FY2009 (quarter ended September 2009), WRN had \$11.79 million in cash, cash equivalents and short-term investments. Working capital was \$9.60 million. In the first nine months of FY2009, we estimate, the company had a burn rate (cash spent on operating and investing activities) of \$0.57 million per month, versus \$0.89 million per month in FY2008 (12 month period). The table below shows the company's cash and liquidity position at the end of Q3-2009.

(in C\$)	2008	2009 (9 mo)
Working Capital	12,418,461	9,602,158
Current Ratio	16.6	4.9
LT Debts/ Assets	-	-
Monthly Burn Rate (incl exploration costs)	(890,854)	(567,243)
Cash from financing activities	500	3,661,346

Our discussions with management indicated that WRN expects to spend about \$6-\$7 million over the next year, exclusive of exploration at Casino. We believe the company is in a sound cash position to meet these expenditures. However, the company will have to raise additional funds if it decides to run an exploration program at Casino.

Stock Options and Warrants: At the end of September 2009, the company has 4.13 million options (weighted average exercise price - \$1.37; weighted average time to maturity - 2.73 years), and 2.22 million warrants (weighted average exercise price - \$1.25; weighted average time to maturity - 2.67 years) outstanding. WRN has the right to accelerate the expiry date of these warrants if at any time the weighted average trading price (of WRN shares) is equal to, or greater than, \$2 per share for 20 consecutive days.

All the options and warrants, except 1.73 million options, are currently 'in-the-money'. **The company can raise up to \$5.05 million if all the 'in-the-money' options and warrants are exercised.**

Valuation

In our previous report, we had valued the company solely based on a comparables valuation model, and did not use our Discounted Cash Flow (DCF) or real options models. Our previous DCF models on the Carmacks and Casino projects gave negative Net Present Value (NPV) estimates. Although our real options models gave positive NPV estimates, we took a very conservative approach then.

The following table shows our revised valuation on the company; which is up from \$1.97 per share, to \$3.73 per share.

Valuation Summary		
Carmacks Copper (100%)		
DCF	\$0.43	
Real Options	\$1.13	
Comparables	\$0.14	
Average		\$0.57
Casino Copper Gold (100%)		
DCF	(\$3.59)	
Real Options	\$7.71	
Comparables	\$2.84	
Average		\$2.32
Redstone (100%)		
Comparables	\$0.44	
Average		\$0.44
Hushamu (assuming 30% interest)		
Comparables	\$0.29	
Average		\$0.29
Working Capital - LT Debt		\$0.11
Net Value		\$3.73

We have reintroduced our DCF and real options models in this report primarily because of the progress that has been made by the company and revisions to our inputs. Another significant change we made this time is that we have accounted for the value of the Hushamu project considering the progress Kobex has made on the property since it was optioned in May 2008.

Carmacks Copper Project - As a result of the significant increase in our gold and silver price forecasts, and a slightly lower capital cost forecast, our revised DCF model on this

project gave a positive NPV. The average valuation on the project (based on our DCF, real options and comparables valuation models) is \$0.57 per share. A summary of our DCF and real options valuation models are shown below. Our comparables valuation was based on our estimate of the current average enterprise value to copper equivalent resource of \$0.023/lb (up from \$0.015/lb at the time of our previous report) of peers.

DCF Valuation Summary	
Resource (in tonnes) - oxide + sulphide	18,380,500
Wt. average Cu grade (%) - oxide	1.06%
Wt. average Cu grade (%) - sulphide	0.74%
Recovered Cu (in million lbs)	331.57
Recovered Au (in oz)	159,197
Recovered Ag (in oz)	1,615,751
Mine life (in years)	13
Long-term Cu price (in US\$/lb)	\$2.03
Long-term Au price (in US\$/oz)	\$750
Long-term Ag price (in US\$/oz)	\$13.50
Average operating cost - oxide (\$/t)	\$19.22
Average operating cost - sulphide (\$/t)	\$18.50
Capital Cost (in \$, mm)	\$242
C\$/US\$	1.15
Discount Rate	11.6%
Net Present Value	\$33,779,538
No. of Shares (diluted)	78,699,252
Value per Share	\$0.43

Real Options Valuation			
Inputs relating to the underlying asset			
Estd. Value of Minerals if extracted today (\$)		\$186,369,795	
Annualized Standard Deviation of Mineral prices		31%	
Capital Investment (\$)		\$242,000,000	
Estd. Mine Life (years)		13	
Riskfree Rate		3.5%	
Output			
Stock Price	\$186,369,795	T. Bond rate	3.5%
Strike Price	\$242,000,000	Variance	0.09
Expiration (in years)	13	Annualized div yield	0%
d1 =	0.727		
N(d1) =	0.766	Value of Option (\$)	\$88,755,525
d2 =	-0.382	No. of Shares (diluted)	78,699,252
N(d2) =	0.351	Value per Share	\$1.13

Casino Copper Gold Project - Our DCF valuation on this project continued to give a negative NPV. The average valuation on the project (based on our DCF, real options and comparables valuation models) is \$2.32 per share.

DCF Valuation Summary	
Resource (in tonnes)	991,463,000
Wt. average Cu grade (%)	0.20%
Recovered Cu (in billion lbs)	3.61
Recovered Au (in million oz)	5.13
Recovered Mo (in million lbs)	314.32
Mine Life (in years)	29
Long-term Cu price (in US\$/lb)	\$2.03
Long-term Au price (in US\$/oz)	\$750
Long-term Mo price (in US\$/lb)	\$10
Average operating cost (\$/t)	\$9.21
Capital Cost (in \$, millions)	\$2,970
C\$/US\$	1.15
Discount Rate	11.6%
Net Present Value	(\$282,326,824)
No. of Shares (diluted)	78,699,252
Value per Share	(\$3.59)

Real Options Valuation			
Inputs relating to the underlying asset			
Estd. Value of Minerals if extracted today (\$)		\$1,136,453,043	
Annualized Standard Deviation of Mineral prices		26%	
Capital Investment (\$)		\$2,970,000,000	
Estd. Mine Life (years)		29	
Riskfree Rate		3.5%	
Output			
Stock Price	\$1,136,453,043	T. Bond rate	3.5%
Strike Price	\$2,970,000,000	Variance	0.07
Expiration (in years)	29	Annualized div yield	0%
d1 =	0.745		
N(d1) =	0.772	Value of Option (\$)	\$607,045,015
d2 =	-0.676	No. of Shares (diluted)	78,699,252
N(d2) =	0.249	Value per share	\$7.71

Redstone and Hushamu - As these projects are in early stages, we have valued them based on comparables. As mentioned earlier, the copper equivalent resources of these projects were valued based on the current average enterprise value to copper equivalent resource of \$0.023/lb of peers. In the case of Hushamu, for conservatism, we have assumed an ownership of only 30% (we have assumed that Kobex will exercise its option to earn 70% interest in the project). Note that our valuation of WRN's interest in the Hushamu project also includes the present value of the potential cost benefits from not having to contribute to any costs until a feasibility study and completion of mine permitting.

Sensitivity Analysis - The sensitivity of our valuation to copper and gold price forecasts, discount rates, and exchange rates (C\$/US\$) is shown below:

		Cu Price (US\$/lb)				
		\$0.75	\$1.50	\$2.03	\$2.75	\$3.50
Gold Price (US\$/oz)	\$450	(\$3.69)	(\$0.54)	\$2.00	\$5.64	\$9.56
	\$600	(\$3.01)	\$0.28	\$2.86	\$6.53	\$10.48
	\$750	(\$2.28)	\$1.11	\$3.73	\$7.43	\$11.40
	\$900	(\$1.52)	\$1.96	\$4.61	\$8.34	\$12.33
	\$1,050	(\$0.73)	\$2.82	\$5.50	\$9.25	\$13.26

		Discount Rate				
		5.0%	8.0%	11.6%	12.5%	15.0%
C\$/US\$	0.95	\$5.29	\$2.44	\$0.76	\$0.53	\$0.06
	1.05	\$8.73	\$4.71	\$2.23	\$1.85	\$1.08
	1.15	\$12.21	\$7.03	\$3.73	\$3.22	\$2.12
	1.25	\$15.73	\$9.39	\$5.26	\$4.61	\$3.20
	1.35	\$19.28	\$11.77	\$6.81	\$6.02	\$4.29

Rating

Based on our revised valuation models and review of the company's progress since our previous report, we reiterate our BUY rating, and raise our fair value estimate from \$2.00 to \$3.73 per share.

Risks

The following risks, though not exhaustive, may cause our estimates to differ from actual results:

- The value of the company is dependant on commodity prices (copper, gold, and molybdenum).
- The company does not currently have any operating mines.
- Granting of the Water Use License appears to have been delayed and may delay development of the project.
- The success of drilling and project studies and development are important long term success factors for the company.
- Access to capital and share dilution.

We rate the company's shares a RISK of 5 (Highly Speculative).

Fundamental Research Corp. Equity Rating Scale:

Buy – Annual expected rate of return exceeds 12% or the expected return is commensurate with risk

Hold – Annual expected rate of return is between 5% and 12%

Sell – Annual expected rate of return is below 5% or the expected return is not commensurate with risk

Suspended or Rating N/A— Coverage and ratings suspended until more information can be obtained from the company regarding recent events.

Fundamental Research Corp. Risk Rating Scale:

1 (Low Risk) - The company operates in an industry where it has a strong position (for example a monopoly, high market share etc.) or operates in a regulated industry. The future outlook is stable or positive for the industry. The company generates positive free cash flow and has a history of profitability. The capital structure is conservative with little or no debt.

2 (Below Average Risk) - The company operates in an industry where the fundamentals and outlook are positive. The industry and company are relatively less sensitive to systematic risk than companies with a Risk Rating of 3. The company has a history of profitability and has demonstrated its ability to generate positive free cash flows (though current free cash flow may be negative due to capital investment). The company's capital structure is conservative with little to modest use of debt.

3 (Average Risk) - The company operates in an industry that has average sensitivity to systematic risk. The industry may be cyclical. Profits and cash flow are sensitive to economic factors although the company has demonstrated its ability to generate positive earnings and cash flow. Debt use is in line with industry averages, and coverage ratios are sufficient.

4 (Speculative) - The company has little or no history of generating earnings or cash flow. Debt use is higher. These companies may be in start-up mode or in a turnaround situation. These companies should be considered speculative.

5 (Highly Speculative) - The company has no history of generating earnings or cash flow. They may operate in a new industry with new, and unproven products. Products may be at the development stage, testing, or seeking regulatory approval. These companies may run into liquidity issues, and may rely on external funding. These stocks are considered highly speculative.

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The distribution of FRC's ratings are as follows: BUY (69%), HOLD (10%), SELL (5%), SUSPEND (16%).

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