INFORMATION MEMORANDUM

WESTERN COPPER HOLDINGS LIMITED

JULY 3, 2002

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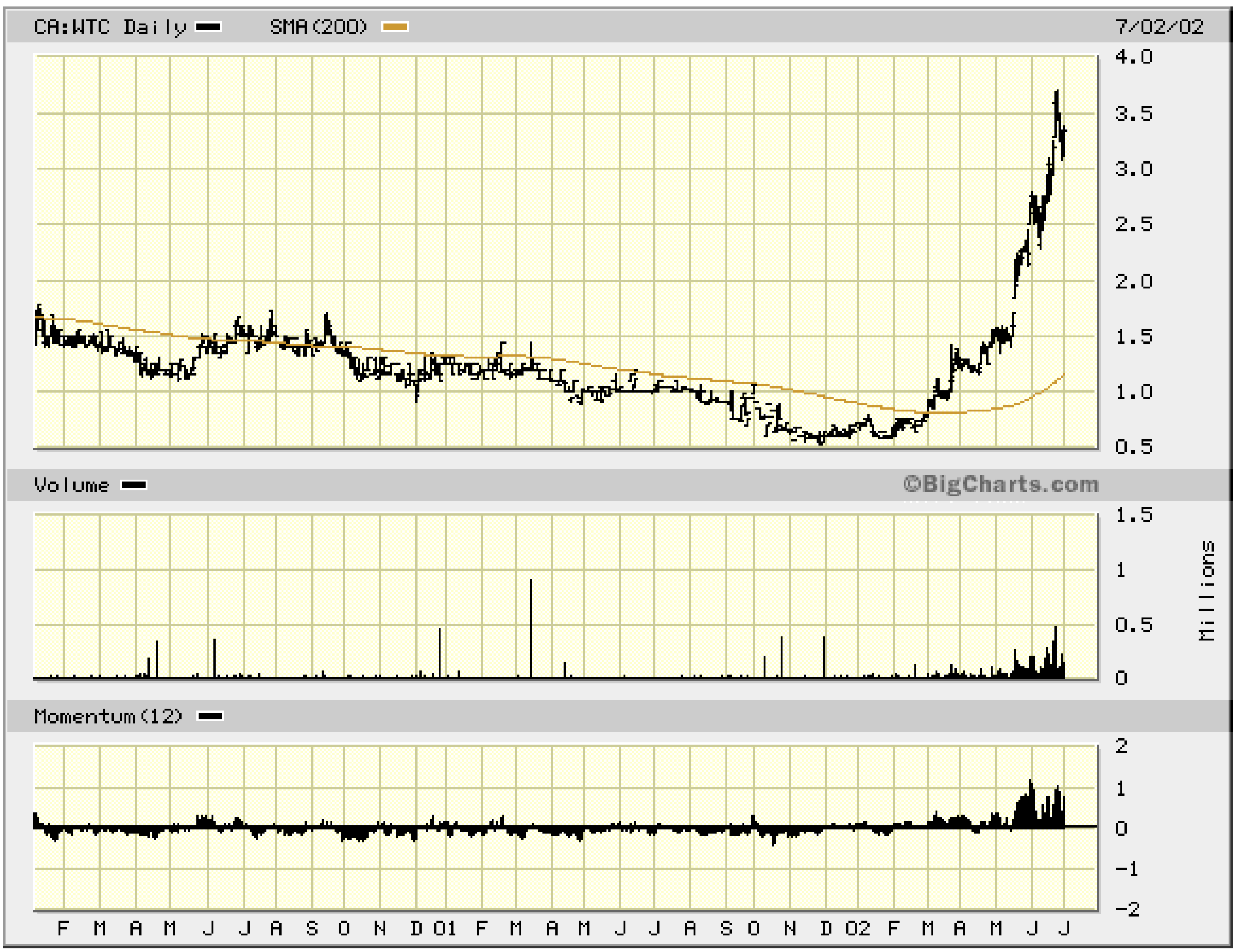


Chart courtesy BigCharts.com

WESTERN COPPER – OVERVIEW

- Western Copper Holdings Limited is a Canadian mining exploration and development company focused on silver. The company's major properties are in Zacatecas State, central Mexico.
- The company's strategy is to find and explore ore bodies that it can prove-up and farm-out to major mining companies that are experienced in building and operating large-scale mines. This is a strategy that others have used in the past with great success.
- The company's key property is Peñasquito, a 100%-owned advanced-stage silver-zinc-gold-lead exploration project in northern Zacatecas State. Western is focused on delineating the size of the deposit and proving-up reserves at the Chile Colorado zone in the southern part of the property. The company has already identified at least 110 million tons of mineralization containing metals worth more than US$2 billion dollars and the deposit is open in all directions.
- The current drill program at Chile Colorado was originally designed to define the limits of the zone and translate existing resources into proven and probable reserves. As a result of the success of the first phase, the company has extended the program to outline the overall size of the deposit – the first phase has already demonstrated that:
  - Chile Colorado is higher grade than previously believed.
  - The deposit may continue as much as 3,000 feet to the north and east, connecting with earlier drill intercepts in what Western had interpreted as a separate target.
  - There is a high grade system – with significant gold values – to the north of the zone previously identified.
- **We estimate that, at current metal prices, the Chile Colorado resource base defined by the first nineteen drill holes could generate pre-tax cash flow, after payback of development costs, in excess of US$200 million over the life of the project.**
- **The current drill program indicates that Chile Colorado could be a multiple of the size indicated by these first nineteen holes – and could be higher grade. This program could propel Western's silver resources into the same range as those of Apex Silver Mines Ltd. and Pan American Silver Corp. – the market capitalization of those companies is approximately ten times that of Western.**
- **If all 110 million tons of current resources were classified as reserves, Western's market comparable value would be approximately C$19 per share.**
- We believe that Western has three critical ingredients for success: strong management, a coherent business strategy, and an extensive portfolio of properties including a very large, 167 square mile land position at its key Peñasquito project.

Key Statistics

Exchange		Toronto	Shares out. (3.31.02)	(millions)	27.285
Symbol		WTC	Float	(%)	65%
Price (7.2.02)	(C$)	3.35	Options & warrants	(millions)	7.714
52 week: high (6.24.02)	(C$)	3.70	Average exercise price	(C$)	1.47
low (11.27.01)	(C$)	0.53	Cash (3.31.02)	(US$ mm)	0.87
Average daily trading volume		113,900	Cash on option/warrant exercise	(US$ mm)	7.39

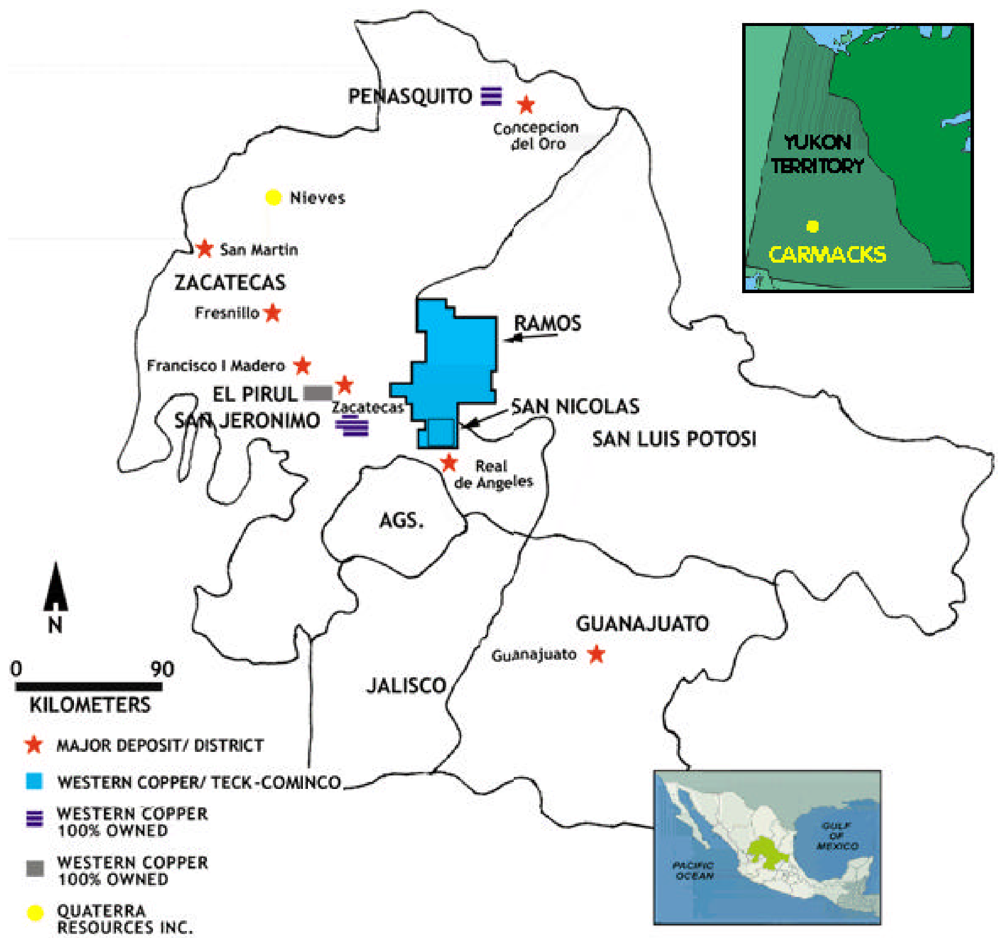
SUMMARY

Western is focused on historic mining districts in Zacatecas State in central Mexico. In the early 1990s, Western acquired an option over El Salvador – Western subsequently entered into an exploration joint venture with Teck Cominco Ltd. there. Separately, Kennecott, the North American mining arm of Rio Tinto plc, started exploring Peñasquito in the early 1990s. In 1998, Western acquired 100% of Peñasquito in a strategic alliance with Kennecott.

El Salvador provided Western's initial success with the discovery of a major copper-zinc ore body at San Nicolas. However, following completion of a feasibility study, the project is currently on hold as a result of low copper and zinc prices and Teck's own internal priorities.

Had Western relied on one potentially world-class project, it would have joined the ranks of smaller mining companies with a project controlled by a senior partner unwilling or unable to move forward. Fortunately, however, the Company was working independently on Peñasquito, which now looks set to become the jewel in its crown.

Property Location



PEÑASQUITO

Peñasquito is a large, 167 square mile property in the north of Zacatecas State in central Mexico. The history of most mines can be traced back to discovery of an outcrop of mineralization by old-timers. Only recently have exploration techniques progressed to the point where "blind" deposits with little surface expression can be identified.

In the mid-1990s, Kennecott started exploring Peñasquito looking for a large tonnage copper target using state-of-the-art techniques. It discovered two large mineralized breccias located at the intersection of major structural trends. Kennecott concluded that it had probably found the top of a large porphyry system but that the copper was too deep to be economic.

That strategic decision opened the door for Western to focus on the silver-zinc-gold-lead "cap".

There are three key factors that, in our opinion, set Peñasquito apart from most other development-stage properties:

- Strong economics even at current, historically depressed metal prices.
- Potential for major expansions of the currently identified, mineralized zone at Chile Colorado as well as the potential for other deposits at the property.
- Sufficient scale to attract interest from the world's major mining companies.

There are known to be two distinct mineralized zones at Peñasquito – the Outcrop Zone to the northwest, and a large zone centered on the Azul breccia about a mile to the southeast – the Company is currently focused on the Chile Colorado zone around Azul.

The first 19 holes at Chile Colorado, to the south of the Azul breccia, indicate at least 110 million tons of near-surface open-pitable mineralization. However, the first seven holes drilled in the current program, designed to define the physical boundaries of the Chile Colorado zone, have demonstrated that the zone is still open in all directions and may be connected with mineralization previously discovered to the northeast of Azul.

If the continuity holds up, the orebody will extend for more than a mile in an arc from the northeast to the southwest of the Azul breccia – results so far indicate the highest grades may be in the middle of the arc.

Resource estimates based on the first 19 holes indicate the gross value of contained metals to be in excess of $2.1 billion, using our base case metal prices that are near current market prices. Accounting for recovery rates and smelting and refining fees, we estimate the total net smelter revenues to Western could be nearly US$850 million and the life-of-mine operating free cash flow – before interest and taxation but after capital expenditure and overhead – could be more than US$200 million, or approximately US$7.60 (C$11.75) per share.

If Chile Colorado proves to be continuous around the eastern side of Azul and the grades are maintained in line with drilling to date, these numbers could be increased by several multiples.

Summary of Chile Colorado zone at Peñasquito
(based on the first 19 holes)

Metal	Price ($)		Grade (metric)		Grade (U.S.)		Contained metal (millions)		Gross Value ($million)	Mill recovery	Total Production (millions)		Net Smelter Revenue ($million)	Net Smelter Revenue (contrib.)
Silver	4.75	/oz	47.0	g/mt	1.370	oz/t	151.783	oz	721.0	85.0%	129.045	oz	510.5	60.3%
Zinc	0.375	/lb	1.01%				2,238.3	lbs	839.4	85.2%	1,907.4	lbs	198.6	23.4%
Gold	300	/oz	0.398	g/mt	0.012	oz/t	1.287	oz	386.0	55.0%	0.708	oz	164.4	19.4%
Lead	0.225	/lb	0.43%				943.9	lbs	212.4	87.9%	829.7	lbs	(26.3)	-3.1%
Total									2,158.7				847.2	100.0%

Source: Western Copper and Proteus Capital Corp. estimates

KEY EVENTS AT PEÑASQUITO IN 2002

- March: Successful testing of a heavy media separation circuit in which material is separated according to its density – Western expects to be able to pre-concentrate the ore by a factor of up to two, thus as much as halving the amount of material that is sent to the concentrator, reducing both capital and operating costs and enhancing the economics of the project.
- April: Western commenced a drill program to extend and in-fill the wide-spaced drill grid.
- June: Initial results from the first phase of the drill program indicate higher grades and extend the size of the deposit, possibly linking Chile Colorado to previously identified mineralization to the northeast of the Azul breccia.
- **July: expect results of WC-24 hole to test continuity of Chile Colorado to the east of the Azul breccia.**
- **July: expect completion of current drill program and updated global resource calculation.**

It is important to bear in mind that Chile Colorado is only one part of what may well become a major mining district at Peñasquito, and Peñasquito is only one of several properties – Western Copper is not a one-shot deal.

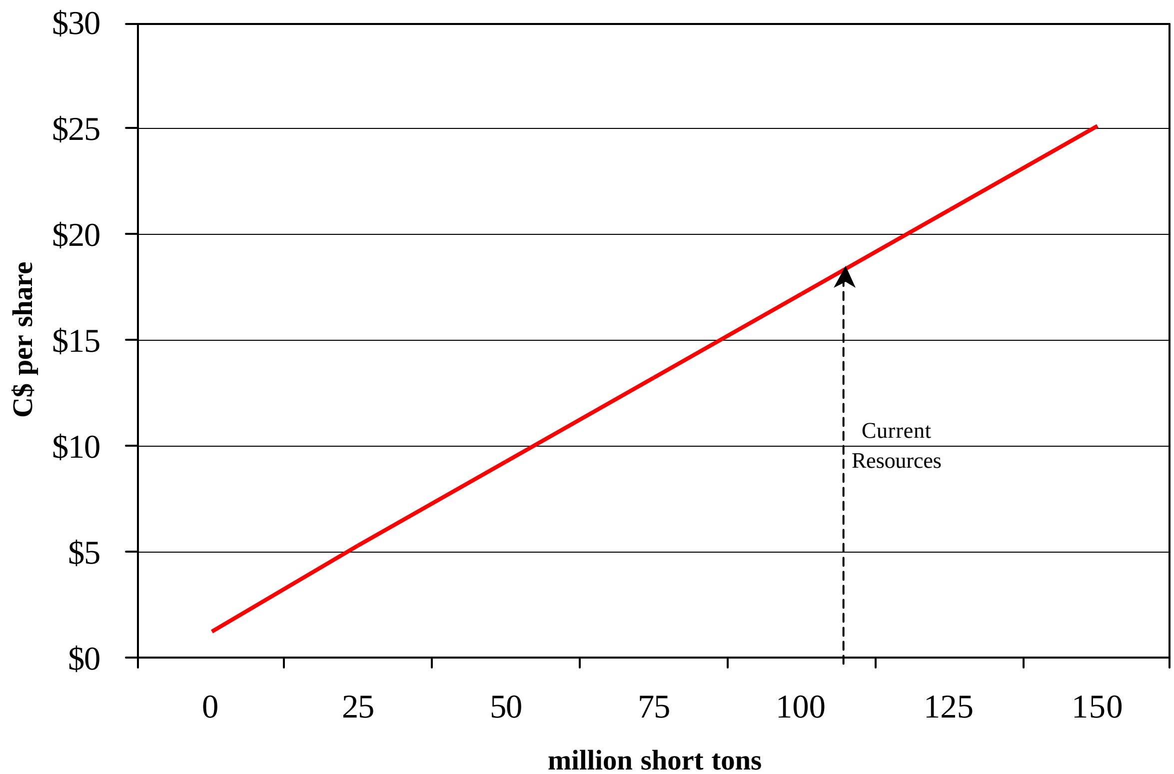
VALUATION

The value proposition is simple – the financial markets are only just beginning to give any value to Peñasquito. We believe that the size and quality of the property will be recognized as the company expands Chile Colorado resources and translates those resources into reserves.

The chart on the following page sets out the potential values of Western Copper if the market were to award the company a valuation comparable to other publicly traded silver companies, based on a range of reserve assumptions. **If all 110 million tons of current resources were classified as reserves, the market comparable value would be approximately C$19 per share.**

The grade potential indicated by the current drill program would raise the per share valuation for any given tonnage – and the tonnage potential would extend the chart to the right. Since the valuations are based on the market valuation of other publicly traded silver stocks, the implied valuation of Western increases if their stock prices increase.

Project Valuation based on market comparables



Peñasquito's silver resources of 150 million ounces – based on the first nineteen holes – are about one quarter of the 600 million ounces controlled by both Apex and Pan American. However, the current drill program provides some early indications that the (arced) strike length of Chile Colorado could be three times that of the currently identified zone, and the grade could be twice our initial assumptions. If subsequent work holds up, this one property could contain more silver than the corporate totals for Apex or Pan American.

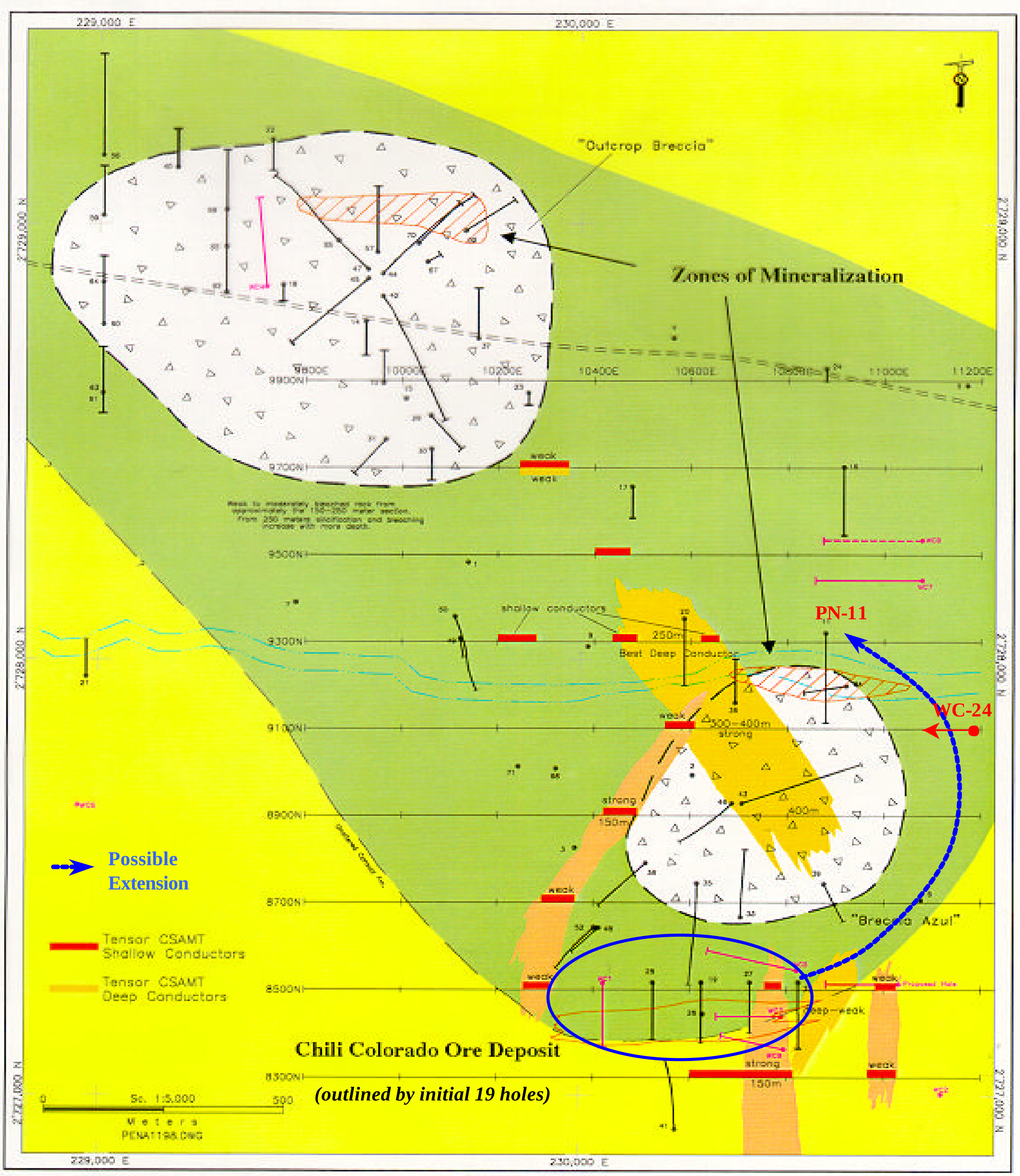
WESTERN COPPER PROPERTIES

PEÑASQUITO

The Peñasquito property comprises approximately 107,000 acres (167 square miles) in the Concepcion del Oro district of Zacatecas State in central Mexico. Historic mining since the fifteenth century has primarily been of high grade silver found in small mantos, chimneys and associated veins typical of formations in sandstone. The Peñasquito property is located in a wide valley with about 100 feet of alluvium covering the bedrock.

Modern exploration started in the early 1990s. Kennecott conducted advanced geosurveys looking for a large-scale porphyry copper deposit hidden beneath the alluvium. That work led to several targets and the discovery of two large breccias – known as Outcrop and Azul – located at the intersection of major structural trends that intruded the Cretaceous sandstones and shales.

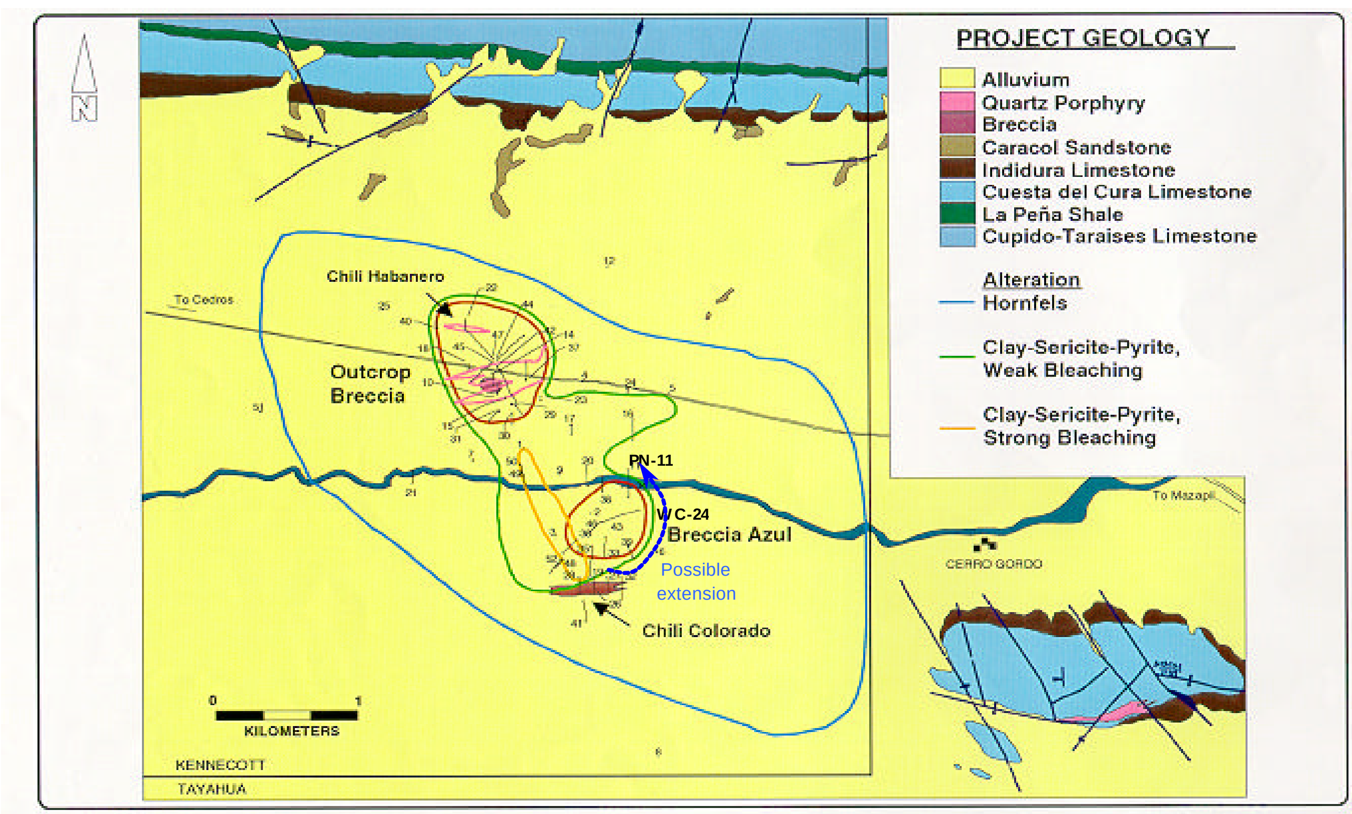
Peñasquito


"Outcrop Breccia"
Zones of Mineralization
PN-11
WC-24
Possible Extension
Tensor CSAMT Shallow Conductors
Tensor CSAMT Deep Conductors
"Breccia Azul"
Chili Colorado Ore Deposit
(outlined by initial 19 holes)
shallow conductors
Best Deep Conductor
weak
strong
250m
500-400m
400m
150m
deep-weak
Sc. 1:5,000
Meters
PENA1198.DWG
229,000 E
230,000 E
9900N
9700N
9500N
9300N
9100N
8900N
8700N
8500N
8300N
9800E
10000E
10200E
10400E
10600E
11000E
11200E

Peñasquito is on the axis of an east-west trending syncline in a sequence of flat-lying marine sandstones and shales in the Cretaceous Caracol formation. Kennecott drilled two deep holes that intersected calcareous shales and thinly bedded limestones. Mineralization is in veinlets, stockworks, chimneys and mantos related to the two breccias. The complexity and variety of intrusions, ranging from dacite porphyry to quartz monzonite, indicate multiple phases of intrusive activity – and consequently multiple opportunities for mineralizing events.

A 250-hole shallow drill program in 1997 led to the discovery of the Chile Colorado silver-zinc-gold-lead zone on the southwestern flank of the Azul breccia. Kennecott also identified a copper anomaly between the two breccias that it interpreted as possibly being the top of a large porphyry copper system. However, it believed that the copper was too deep to be economic. Since it was looking for copper, it decided to sell the whole project to Western Copper as part of strategic exploration alliance that has since been terminated.

Peñasquito Geology



Source: Kennecott Exploration

Chile Colorado

Since 1998, Western has focused on proving-up the Chile Colorado zone and, to a lesser extent, the Azul pipe. To-date, work has identified a large mineralized zone, some 1,600 feet long (east-west) and 1,150 feet wide (north-south) and 1,000 feet thick. The zone is open in all directions and at depth.

Sulfide mineralization occurs in veins and stockworks as well as being disseminated in the host sandstone. Near-vertical veins, striking north-south and east-west, are in the outer, less intensely altered shell of a large quartz sericite alteration halo that is believed to have formed above a quartz-feldspar porphyry stock prior to the emplacement of the Azul and Outcrop breccias.

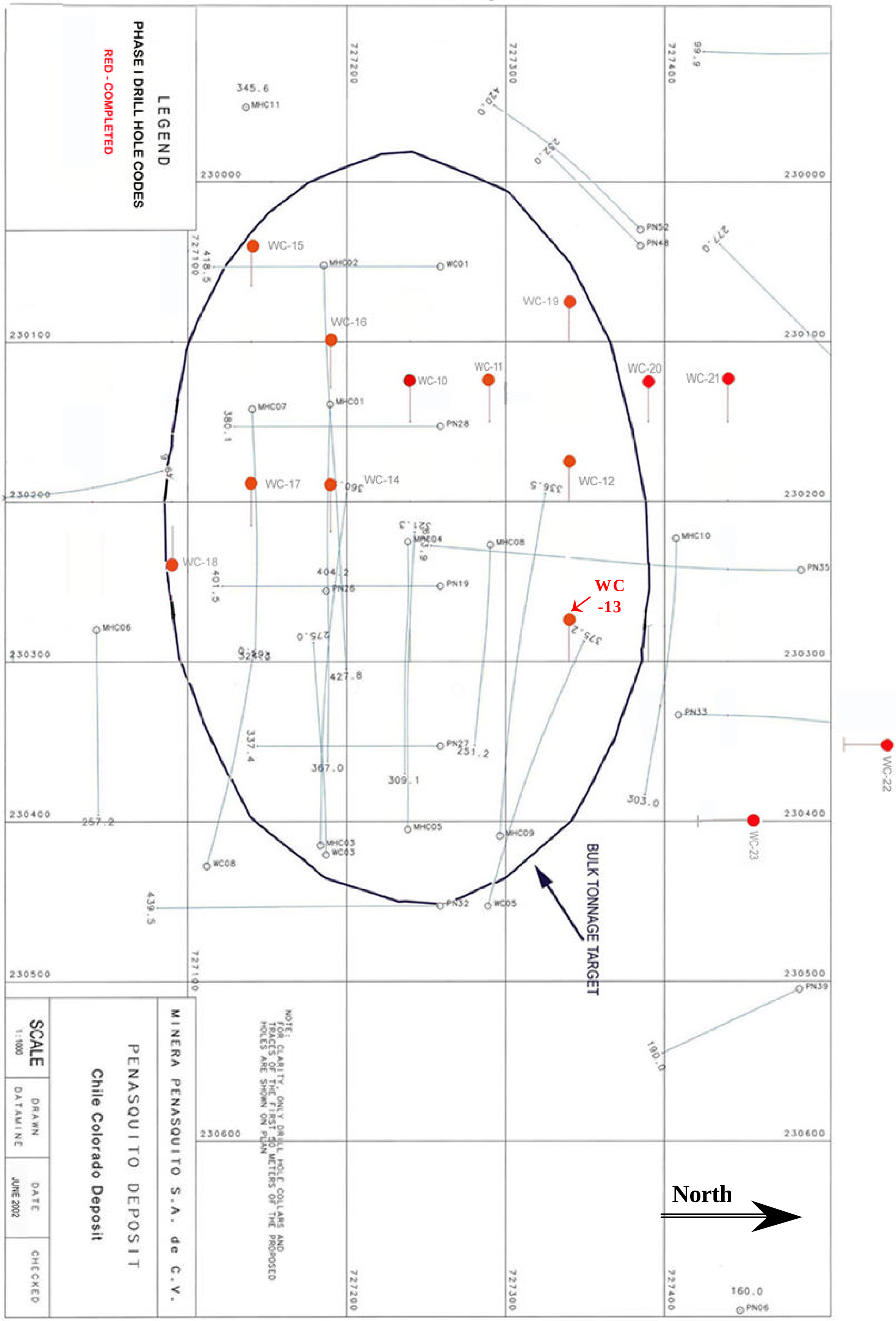
The first 19 core holes, totaling nearly 20,000 feet of drilling, identified a resource of 110 million tons. These first 19 holes returned weighted average grades of 2.94 oz/t silver, 1.84% zinc, 0.015 oz/t gold and 0.84% lead. The initial mine model includes areas between the wide-spaced holes assumed to be voids yet which are likely to be mineralized – the estimated grades were about half the weighted average of the core assays.

Chile Colorado Drill Results

Hole	From *(feet)*	To *(feet)*	Interval *(feet)*	Silver *(oz/t)*	Zinc *(%)*	Gold *(oz/t)*	Lead *(%)*
WC-1	652	1,373	721	1.55	0.79	0.011	0.28
WC-3	502	828	325	5.51	2.48	0.011	2.15
WC-5	789	1,231	441	0.44	2.08	0.019	0.03
WC-8	538	687	150	1.98	1.41	0.004	1.06
PN-19	558	1,017	459	3.79	2.50	0.013	1.80
PN-27	535	882	348	3.41	1.53	0.008	1.31
PN-26	531	909	377	3.47	2.08	0.010	1.52
PN-28	741	1,233	492	2.10	1.45	0.031	0.18
MHC-1	384	1,187	803	3.47	1.90	0.016	1.10
MHC-2	676	1,403	728	2.25	1.98	0.023	0.46
MHC-3	492	1,184	692	2.71	2.02	0.015	0.85
MHC-4	274	1,014	740	8.66	3.52	0.019	1.25
MHC-5	313	1,054	741	1.90	1.77	0.013	0.65
MHC-6	369	555	186	2.04	1.42	0.008	1.14
MHC-7	531	1,023	492	3.70	1.81	0.011	1.39
MHC-8	377	673	296	1.55	0.96	0.020	0.40
MHC-9	367	777	410	0.82	0.93	0.014	0.11
MHC-10	538	807	269	1.14	2.07	0.029	0.44
MHC-11	725	1,134	409	1.43	0.83	0.007	0.51
WC-10	630	1,207	577	1.28	1.66	0.009	0.48
WC-11	466	1,050	584	1.34	1.64	0.021	0.28
WC-12	597	1,338	741	0.73	1.37	0.028	0.51
WC-13	243	794	551	2.48	1.81	0.030	0.70
WC-14	643	807	164	10.88	3.61	0.012	4.71
WC-15	912	1,319	407	3.79	1.95	0.036	0.58
WC-16	453	1,141	689	3.82	2.38	0.010	1.79
Weighted average	532	1,024	492	2.82	1.85	0.017	0.86
Initial mine model				1.37	1.01	0.012	0.43

Notes: *WC -- drilled by Western Copper (10 through 16 is latest drill program)*
PN -- drilled by Kennecott
MHC -- drilled by Hoschild

Chile Colorado Drill Program



In April 2002, the Company started a drill program designed to confirm the resource estimate and translate resources into reserves. However, results from the first seven of this fifteen-hole program indicate the deposit is much larger, and possibly higher grade than had been predicted. Consequently, the company has decided to extend the drill program in order to define the boundaries of the deposit and calculate an initial global resource figure.

The individual drill results are set out in the table on page eight. The first three holes (WC-10 through 12), which are well within the target in the northwestern quadrant (see map), confirmed continuation of the previous results at Chile Colorado. WC-13, planned to define the northern limit of the zone, intercepted a high grade breccia dike striking northwest and dipping steeply to the northeast. This dike grades 7.35 oz/t silver, 4.3% zinc, 0.020 oz/t gold, and 3.8% lead. Holes WC-22 and WC-23 (collared northeast of WC-13 and drilled to the south) intercepted visually similar mineralization to the southeast of the WC-13 intercept. The company is awaiting assays for these holes.

Holes WC-14 through 16 were planned to test the southwestern limit of the deposit. However, they returned grades that were average or better over good widths, indicating that the deposit remains open to the south and west as well as to the north and east.

The northeastern extension of Chile Colorado, confirmed by results from WC-13 and initial indications from WC-22 and WC-23, raises the possibility that the zone continues in an arc around the eastern boundary of the Azul breccia, connecting with similar mineralization identified by Kennecott to the northeast of Azul.

Western is currently drilling hole WC-24, some 2,600 feet northeast of the currently defined Chile Colorado zone, and 1,300 feet southeast of PN-11, a Kennecott hole. At the time of writing, WC-24 was at nearly 1,900 feet and had encountered visible lead-zinc mineralization consistent with mineralization found at Chile Colorado and in PN-11.

The initial results from the current drilling demonstrate:

- Chile Colorado is at least as large as previously thought, with mineralization continuing in all directions beyond the previously postulated boundaries.
- In-fill drilling is confirming grade continuity – the weighted average grade of the first 26 holes is 2.82 oz/t silver, 1.85% zinc, 0.017 oz/t gold, and 0.86% lead – approximately double the grade assumed in our economic projections.
- The high grade breccia dike to the northeast of Chile Colorado could raise the grade significantly.
- If Chile Colorado proves to be continuous with similar mineralization found to the northeast of the Azul breccia and the width remains similar, the tonnage potential could increase threefold.

Put another way, the current drill program indicates that Chile Colorado could be comparable in size to Apex' San Cristobal deposit in Bolivia, or to the total resources of Pan American.

The ore at Chile Colorado is primarily sphalerite, tetrahedrite, and galena, each of which has a specific gravity in excess of four, compared with the sandstone gangue material that has a specific gravity of approximately 2.6. The company believes this density differential will enable it to use heavy media separation, reducing the amount of ore sent to the concentrator, thus reducing both capital and operating costs and further strengthening project economics.

Western's economic assessment has drawn on up-to-date information and analysis of capital and operating costs assembled by Teck for its feasibility study at San Nicolas. Our analysis of these projections is set out in the table below.

Chile Colorado Operating Projections

(U.S. dollars and short tons)

Production Year		1	2	3	4	5	Life of project
Reserves - start of period							
Ore	million t	110,600	102,678	94,756	86,835	78,913	
Silver	oz/t	1.37	1.29	1.19	1.10	0.98	
Zinc	%	1.01%	0.97%	0.91%	0.85%	0.79%	
Gold	oz/t	0.012	0.012	0.012	0.011	0.011	
Lead	%	0.43%	0.39%	0.35%	0.32%	0.28%	
Mining							
Rock Mined	million t	59,524	45,635	43,651	43,651	11,406	280,307
Strip ratio		6.50	4.75	4.50	4.50	0.44	1.53
Open Pit Ore Mined	000 t	7,937	7,937	7,937	7,937	7,937	110,808
Ore milled	000 t	3,683	3,683	3,683	3,683	3,683	51,418
Mined Grade							
Silver	oz/t	2.36	2.50	2.20	2.35	1.46	1.37
Zinc	%	1.47%	1.73%	1.54%	1.52%	0.93%	1.01%
Gold	oz/t	0.011	0.013	0.014	0.016	0.012	0.012
Lead	%	0.90%	0.92%	0.65%	0.65%	0.28%	0.43%
Production							
Metal produced							
Silver	000 oz	15,916	16,881	14,830	15,868	9,838	129,045
Zinc	mm lbs	198.4	231.5	209.4	206.1	125.7	1,907.4
Gold	000 oz	46.205	57.607	59.007	71.908	53.106	707.688
Lead	mm lbs	124.8	127.9	90.4	91.5	38.8	829.7
Revenues							
Net smelter revenues							
Silver	$'000	62,966	66,782	58,667	62,775	38,921	510,507
Zinc	$'000	20,788	24,401	21,993	21,631	12,835	198,619
Gold	$'000	10,732	13,380	13,705	16,701	12,334	164,368
Lead	$'000	(2,132)	(2,715)	(2,808)	(2,722)	(1,958)	(26,287)
Total	$'000	92,354	101,849	91,556	98,386	62,132	847,208
NSR per tonne ore mined	$/t	11.64	12.83	11.54	12.40	7.83	7.65
Operating costs							
Mining cost per ton rock mined	$/t	0.57	0.67	0.69	0.57	0.96	0.75
Mining cost per ton ore mined	$/t	4.25	3.86	3.82	3.15	1.38	1.91
HMS cost per ton ore mined	$/t	0.45	0.45	0.45	0.45	0.45	0.45
Milling cost per ton ore mined	$/t	1.91	1.91	1.90	1.90	1.88	1.74
Total per ton ore mined	$/t	6.61	6.23	6.17	5.51	3.71	4.10

Source: Western Copper and Proteus Capital Corp. estimates

The Company has retained Kilborn, a subsidiary of SNC – Lavalin Group, Inc. as consulting geologic and engineering advisor. Kilborn is a well-regarded international firm that, in addition to supporting the engineering, is overseeing the exploration methodology. Core samples were prepared and assayed by ASL Chemex. Initial sampling was by conventional analysis, with fire assays for gold and higher grade silver results and atomic absorption analysis for higher grade zinc-lead results.

Kilborn will update the resource calculation and prepare a global resource estimate on completion of the current drill program. The next phase will attempt to delineate the boundaries of the Chile Colorado zone to the east, building on the results from WC-24. Drill spacing in the center of the previously identified Chile Colorado zone could support an initial reserve estimate on that part of the deposit.

Most of the drill holes on the property outside the Chile Colorado zone have been drilled in the strongest zone of quartz-sericite-pyrite alteration and have not tested the extensive outer alteration rim that generally proves to be most prospective for this style of mineralization.

The projections set out in the table on page 11 are based on the results of the first nineteen holes and do not reflect the current program. We will update these projections when the company publishes the results of Kilborn's analysis of the current program.

This program indicates that both tonnage and grade are likely to increase. Higher grades would change the economics significantly since most costs are defined by the amount of ore being processed, and not the content of that ore. Additional tonnage could support a higher mining rate and a longer life, which would change capital and operating cost assumptions.

However, it is important to recognize that the project is economically robust without any of these potential gains.

EL SALVADOR

El Salvador, located 40 miles southeast of the city of Zacatecas, is an exploration joint venture between Teck (65%) and Western (35%), covering a 95 square mile area of interest.

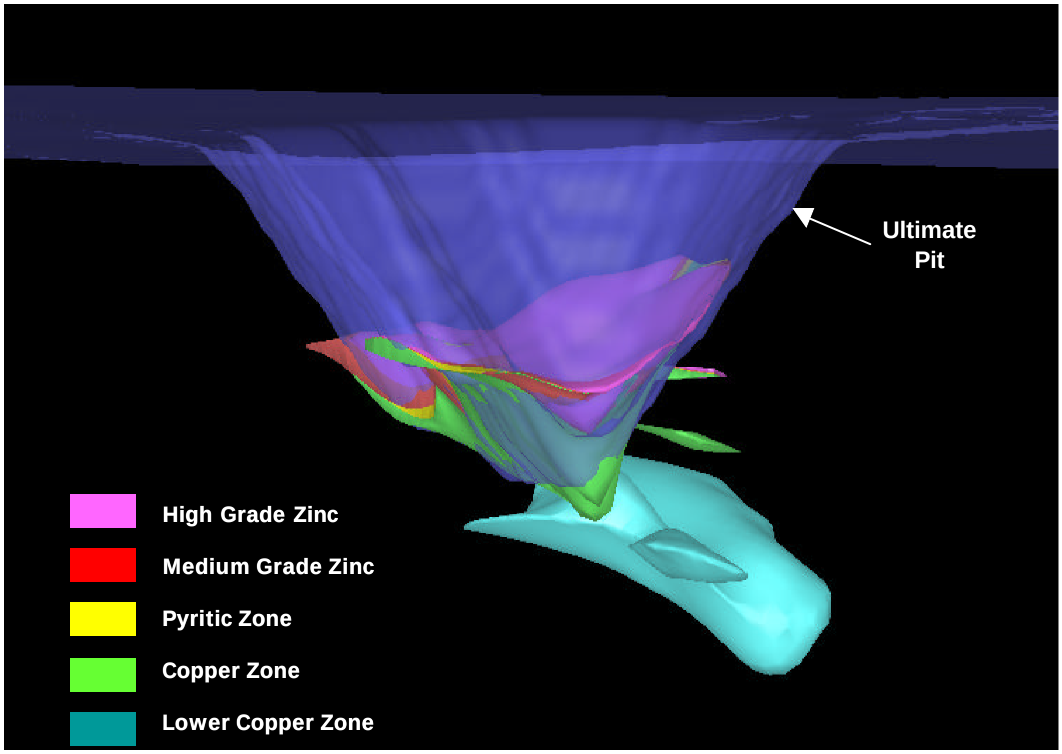
The San Nicolas ore body in the south of the exploration area was discovered in 1997 – the discovery hole intersected 580 feet of massive sulfide mineralization.

Teck, the operator, completed a feasibility study in early 2002 but has decided to put the project on hold pending higher zinc prices. Teck's decision to postpone development demonstrates the dangers of farming control out to another entity that may not be entirely driven by economics. The joint venture owns 75% of San Nicolas – Teck owns 25% directly – so Western's interest in the project is 26.25%, which could be diluted to 18.75%.

Proved and probable reserves total 71 million tons grading 1.32% copper, 2.04% zinc, 0.015 oz/t gold and 0.94 oz/t silver – the shallower sections of the ore body are zinc-rich, with higher-grade copper mineralization at depth, including possible extensions below an initial open pit. The feasibility study projected mining 16,500 tons of ore per day, producing about 250,000 tonnes of copper concentrates with an average grade of 24% copper and 210,000 tonnes of zinc concentrates with an average grade of 50% zinc per year.

The feasibility study projects capital costs at US$246 million with life of mine operating costs of approximately US$7.70 per ton milled. One of the strengths of San Nicolas is that there is little infrastructure required – the project is three kilometers from a paved highway and thirty kilometers from a power line.

Cross Section through Projected Pit



There are a number of massive sulfide targets within a ten-kilometer radius of San Nicolas that require additional work. Limited drilling at three of these prospects encountered narrow intersections of massive to semi-massive sulfides and stringers, as well as strong hydrothermal alteration.

Since the discovery of San Nicolas, district-wide exploration has been limited. However, it is well documented that massive sulfide deposits tend to occur in clusters. Therefore, the joint venture has continued to accumulate land within the area of interest. Knowledge gained at San Nicolas has helped the partners to understand the geologic setting, geochemical signature and geophysical response of the massive sulfide ore bodies – important information in identifying, prioritizing and evaluating other massive sulfide targets.

APEX JOINT VENTURE

Western and Apex have a joint exploration program looking for massive sulfide deposits on claims owned by both parties in the northern part of the Zacatecas Silver district. The agreement consolidates over 15,300 acres held by the two companies in an area that has not been systematically evaluated – Western is the operator. There are two initial targets for the Apex Joint Venture: El Pirul and Veta Grande.

El Pirul

El Pirul is centered on an old mining district located approximately six miles southeast of the Francisco I Madero deposit. Dumps from previous mining activity assay up to 0.17 oz/t gold, 70 oz/t silver, 9.53% lead and 17.20% zinc. The black chlorite schist does not outcrop and no drilling has been done in this area.

Veta Grande
At Veta Grande, about three miles north of the city of Zacatecas, significant copper and zinc mineralization outcrops at surface and there are fragments of massive sulfide breccia on old mine dumps.

OTHER PROPERTIES

In March 1999, Teck and Western formed a second exploration joint venture by pooling their respective claims around the El Salvador joint venture area. Teck contributed property to the south, east and west of El Salvador and Western contributed its interests to the north – the total area of interest, including 95 square miles at El Salvador, is approximately 50 miles long and 25 miles wide.

San Jeronimo
San Jeronimo, 12 miles south of Zacatecas, is in a strongly mineralized zone with extensive historic mining prior to the Mexican revolution in 1911. The Chilitos formation, a Jurassic to Cretaceous complex of weakly metamorphosed submarine volcanic rocks which hosts the San Nicolas deposit, is exposed through a window in post-mineral Tertiary rhyolites. Detailed mapping and sampling of the Loreto-Santa Maria epithermal vein system has defined a Fresnillo-style silver target. The east-west striking system has been mapped over a strike length of more than 1.5 miles.

Old records indicate that silver occurred in wide, high grade veins. There are numerous old shafts up to 650 feet deep. At surface, the veins vary in width from a few inches to ten feet and typically consist of brown calcite with a few quartz veinlets with anomalous silver values. Western drilled one hole close to the old Loreto shaft at the western limit of the vein system that intersected a sulfide rich vein three feet wide which averages 47 oz/t silver, 2.12% lead and 4.52% zinc. Apart from the spectacular grade, this hole confirmed that silver values increase with depth.

To the east, near the center of the system, mafic flows, mafic to felsic tuffs, and volcaniclastic rocks have been pervasively altered to carbonate and sericite, containing up to several percent pyrite. Soil samples have identified an open-ended silver anomaly, at least 650 feet by 500 feet – the Loreto vein may contain bulk-mineable vein-stockwork silver-lead-zinc mineralization.

In addition, there is distinct VMS mineralization at San Jeronimo that is probably older than the extensive silver-lead-zinc mineralization along the vein system. More drilling will be required to determine the extent and significance of this mineralization.

Carmacks Copper Project
The Carmacks Project, which has an open-pit mineable reserve of 17 million tons grading 1.01% copper, is projected to produce 30 to 32 million pounds of copper annually. The project is being permitted so that it could be brought in to production quickly once copper prices have reached a level that would provide appropriate returns.

THE SILVER MARKET

In many ways, the silver industry is still recovering from the disruptions of the late 1970s when the Hunt brothers tried to corner the market, driving prices to nearly $50 per ounce. There have been three distinct phases since 1980:

- 1980 – 1989: mine supply expanded by an average of 3% a year as new projects that were encouraged by the previously high prices continued to come on stream. Official sector sales surged but the supply of secondary metal declined as a result of declining prices. Demand increased by 3% a year, driven by photography – up 4.3% a year – and jewelry/silverware, up over 8% a year. The excess of supply over demand totaled more than one billion ounces.
- 1990 – 1996: mine supply was finally squeezed by low metal prices, declining nearly 5% a year. Demand continued to increase, driven by jewelry and silverware, and inventories were drawn down by nearly 1 billion ounces.
- 1997-2001: mine supply increased owing to a run-up in prices in the mid-1990s and, more notably, widespread expectations that prices would increase. Demand stagnated, despite the failure of prices to rise. However, inventory draw down continued, totaling 1.7 billion ounces since 1990.

One of the myths associated with the silver market has been that, because photography is the biggest user, the advent of digital photography would have a devastating effect. Most silver used by the photographic industry reappears as scrap supply a year or two later – the net off-take is much less significant than merely looking at the headline numbers. In fact, off-take by the photographic industry has accelerated in the past few years compared with the early 1990s, despite the economic problems in much of eastern Asia.

Key periods in the silver market

	Average annual change		
	1980 - 1989	1990 - 1996	1997 - 2001
Average price	-12.4%	1.3%	-2.8%
Supply			
Mine production	3.1%	-4.9%	4.6%
Secondary supply	-7.7%	4.4%	3.9%
Official sector	7.9%	-5.0%	65.7%
Total supply	-1.0%	-2.3%	5.6%
Demand			
Photography	4.3%	2.7%	3.4%
Jewelry & silverware	8.1%	12.7%	0.4%
Electronics	1.2%	0.9%	1.7%
Other	-0.3%	5.2%	-2.7%
Total demand	3.0%	5.8%	0.8%

Source: CPM Group Silver Survey 2002, April 2002

The failure of prices to rise as anticipated in the late 1990s has dampened the mining industry's enthusiasm for silver. Much of the increase in production has been in the form of byproduct metal mined in conjunction with gold and copper. The major new copper mines developed in Chile during the 1990s are now on stream – the currently-depressed copper price is discouraging any significant new operations. Silver as a by-product of gold is also beginning to decline as a result of low prices and more difficult financing conditions.

Meanwhile, despite the increase in silver production during the late 1990s, inventories continued to be drawn down. The total draw down since the peak in inventories in 1990 is some 1.7 billion ounces, equivalent to more than two year's total demand.

In addition, doubts about the integrity of the derivatives markets that had, so effectively, drawn investor attention away from precious metals, combined with macro political and economic issues, are all renewing interest in precious metals. We believe that, owing to the combination of these factors, the silver market is poised to move higher, albeit without anticipating the sort of market seen in through the 1970s.

CORPORATE REVIEW

HISTORY

Western Copper was incorporated in 1984, with an initial focus on exploration in Canada. Throughout much of its history, the Company has been advancing the Carmacks copper property in the historic Whitehorse mining district of the Yukon Territory, Canada. However, owing to low copper prices, that project was put on hold in 1998.

In the early 1990s, the Company joined many other North American mining companies refocusing their activities in Mexico. In 1994, Western acquired an option over El Salvador in the State of Zacatecas and, in 1996, completed the acquisition and formed a joint venture with Teck covering both El Salvador and Teck's large, adjacent land position.

In 1998, Western entered into a Mexican exploration and development alliance with Kennecott, a subsidiary Rio Tinto plc, the UK-based mining giant. Under the initial terms, Western would conduct the exploration and Kennecott had the right to acquire a 51% interest for development and operation. However, with the decline in metal prices in the late 1990s, the partnership never had a chance to blossom and was terminated in mid-1999.

In mid-2000, Western entered into an exploration and development joint venture with Mauricio Hochschild & Cia. Hochschild's forte is mining high-grade, underground deposits – the large-scale, bulk-tonnage opportunities that Western is focusing on did not fit and that agreement was terminated in mid-2001.

MANAGEMENT

It has often been said that great mines are built, not found. Certainly, mining history is littered with great ore-bodies that were mismanaged and failed to become great mines – and there are a few examples of great mines being built around not-so-good ore bodies. As with any other industry, management is key to the ultimate success.

F. Dale Corman, Chairman and CEO, has over 35 years experience in mining finance and corporate development. He joined Western in his current capacity in 1995. Previously, he served as President and COO of several companies including Consolidated Durham Mines, NBU Mines, and Noble Minerals and Oils. He started his career as a field geologist with the Geologic Survey of Canada in British Columbia.

Thomas C. Patton, President and Chief Operating Officer since 1998, has over 30 years experience in mine exploration and development. Before joining Western, Mr. Patton held senior positions with the Rio Tinto group, including running the South American exploration efforts of Rio Tinto and, previously, the North American exploration for Kennecott. He was responsible for Rio Tinto's activities in Mexico, including the Peñasquito project – in effect, Mr. Patton stayed with the project when it was transferred to Western.

FINANCIAL ANALYSIS

Our valuation reflects the results of the first nineteen holes at Chile Colorado – we have not included the associated Azul breccia, the initial discovery zone at the Outcrop Pipe, or any of the other projects. Our projections are for the whole project – Western intends to bring in an operating partner to fund the capital cost in exchange for which it will have to give up a significant part of the anticipated cash flow. The financial projections assume our "base case" metal prices: silver at $4.75 per ounce, zinc at $0.375 per pound, gold at $300 per ounce, and lead at $0.225 per pound – compared with current prices of $4.90 silver, $0.34 zinc, $312 gold, and $0.20 lead.

Chile Colorado Financial Projections

(US$'000 except per share amounts)

	Pre-operating	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6 and later	Life of mine Total
Revenues		$ 92,354	$ 101,849	$ 91,556	$ 98,386	$ 62,132	$ 400,931	$ 847,208
Costs								
Mining cost		33,696	30,636	30,294	25,027	10,927	80,536	211,116
Milling cost		18,774	18,781	18,677	18,680	18,500	150,189	243,602
Depreciation & Amortization		9,741	10,027	10,314	10,600	10,887	110,430	162,000
Total operating costs		64,211	61,445	61,285	56,308	42,314	359,156	644,719
Income before interest and tax		**$28,143**	**$40,404**	**$30,272**	**$42,078**	**$19,818**	**$41,775**	**$202,489**
Mexican taxation		6,459	10,751	7,205	11,338	3,547	33,572	72,871
Net Income		**$21,683**	**$29,653**	**$23,067**	**$30,741**	**$16,271**	**$8,203**	**$129,618**
EPS		**$0.79**	**$1.09**	**$0.85**	**$1.13**	**$0.60**	**$0.30**	**$4.75**
EBITDA	-	37,884	50,431	40,586	52,679	30,705	152,205	364,489
Capex	134,000	2,000	2,000	2,000	2,000	2,000	12,000	156,000
Working capital	-	17,000	-	-	-	-	(17,000)	-
Operating free cash flow	**$ (134,000)**	**$ 18,884**	**$ 48,431**	**$ 38,586**	**$ 50,679**	**$ 28,705**	**$ 157,205**	**$ 208,489**

Source: Proteus Capital Corp. estimates

The table below sets out the economic effect of changes in key assumptions – metal prices and tonnage. A 25% increase in either silver or zinc prices has a dramatic effect on Chile Colorado.

Sensitivity to changes in metal prices and tonnage

		Base Case	Reserves + 25%	Silver price + 25%	Zinc price + 25%	Gold price + 25%	Lead price + 25%	All + 25%
Resources	mm t	110.8	138.5					138.5
Price								
Silver	/oz	$4.75	$4.75	$5.94				$5.94
Zinc	/lb	$0.375	$0.375		$0.469			$0.469
Gold	/oz	$300	$300			$375		$375
Lead	/lb	$0.225	$0.225				$0.281	$0.281
Internal rate of return before tax		22%	25%	37%	37%	30%	28%	56%
Internal rate of return after tax		15%	18%	25%	25%	21%	19%	38%
NPV@ 5.0%	$mm	69.2	120.3	146.9	153.1	110.2	101.6	322.8
7.5%	$mm	45.9	82.6	113.4	118.2	81.7	73.8	253.1
10.0%	$mm	27.2	54.1	86.3	90.2	58.7	51.5	199.9
12.5%	$mm	12.1	32.3	64.4	67.4	40.1	33.5	158.7
15.0%	$mm	(0.2)	15.3	46.3	48.8	25.0	18.7	126.1

Source: Proteus Capital Corp. estimates

The table demonstrates the potential of impact of the results of the current drilling program. The PV_{10} of Peñasquito increases from $27.2 million on the base case to $199.9 million if the reserve tonnage is increase by 25% and the average metal price increase by 25% – a 25% increase in grades is broadly equivalent to a 25% increase in metal prices.

In other words, a 25% increase in grades combined with a 25% increase in reserves increases the PV_{10} by approximately a factor of seven. The current drill program at Peñasquito could expand the tonnage by 200% and the grade by 100% higher compared with our base case.

In the table below, we set out reserves for a range of silver-oriented, publicly traded companies. The "reserves" column represents published proved and probable, or measured and inferred mineralization while "resources" includes possible, or indicated mineralization. In the case of Western, we have counted the company's share of San Nicolas as "reserves" and Peñasquito as resources.

The Enterprise Value is the market capitalization less net cash (cash less debt) fully diluted for options and warrants that are in the money. The key columns are the Enterprise Value per ounce of silver – based on reserves, resources and finally adjusted to reflect the value of other contained (not necessarily recoverable) metals at current prices.

Hecla does not publish its possible or indicated mineralization – hence its apparently high valuation. Based on total mineralization, the comparable companies are valued at between $0.46 per ounce for Silver Standard and a high of $6.20 for Hecla, with an average of $1.78 per ounce. On this basis, Western Copper is currently valued at $0.43 per ounce. Even excluding Hecla, the average valuation is $0.68 per ounce – 58% higher than Western's valuation.

Comparable Company Analysis

C$ 1.00 = US$	0.6532 Ticker	Price ($)	52 week High ($)	Low ($)	Shares Out. (mm)	Market Cap. ($mm)	Enterprise Value ($mm)	Silver Reserves	Resources (mm oz)	EV /ounce Reserves ($/oz)	Resources ($/oz)	Adj EV / ounce ($/oz)
Apex Silver Mines Limted	SIL	15.01	18.15	8.42	34.885	523.6	495.6	470.0	603.4	1.05	0.82	0.35
Pan American Silver Corp.	PAAS	8.13	9.85	3.00	48.878	397.4	409.3	162.8	627.0	2.51	0.65	0.46
Coeur d'Alene Mines Corp.	CDE	1.84	2.20	0.63	56.790	104.5	205.2	83.4	287.8	2.46	0.71	0.46
Hecla Mining Company	HL	4.35	5.90	0.77	74.760	325.2	392.2	63.3	63.3	6.20	6.20	2.22
Silver Standard Resources	SSRI	6.20	7.80	1.47	30.910	191.6	204.2	189.9	446.7	1.08	0.46	0.34
	High					523.6	495.6	470.0	627.0	6.20	6.20	2.22
	Low					104.5	204.2	63.3	63.3	1.05	0.46	0.34
	Mean					308.5	341.3	193.9	405.6	2.66	1.77	0.77
Western Copper	**WTC.TO**	**2.19**	**2.12**	**0.35**	**27.285**	**59.7**	**68.3**	**14.1**	**165.9**	**4.85**	**0.41**	**0.12**

Note: Enterprise value = fully diluted market capitalization plus net debt

Source: Company reports and Proteus Capital Corp. estimates

We have also adjusted the valuation to reflect the gross value of other metals. On this basis, the other silver companies are valued at between $0.35 per equivalent ounce and $2.22 per equivalent ounce, with an average of $0.77 per equivalent ounce, compared with Western Copper's valuation of $0.13 per equivalent ounce. Excluding Hecla, the average is $0.41 per equivalent ounce.

Western Copper Valuation based on comparable companies

		Including Hecla	Excluding Hecla
Resources			
silver only		$12.47	$4.52
all metals		$18.26	$9.56
Reserves	mm tons		
	-	$1.28	$0.74
	25.0	$5.26	$3.42
	50.0	$9.25	$6.09
	75.0	$13.23	$8.77
	100.0	$17.22	$11.44
	125.0	$21.20	$14.12
	150.0	$25.18	$16.79

However, the value proposition for Western Copper is the expansion of resources and translation of those resources into reserves. The table immediately above sets out the market comparable valuation for a range of Peñasquito reserve estimates. If only 25 million tons of resources are translated into reserves, the market comparable valuation is C$3.69 to C5.67 per share – rising to C$9.59 to C$14.46 if seventy five million tonnes are translated into reserves.

Even this valuation allocates no value for addition potential at Peñasquito, the potential at El Salvador, or any of the other properties. Furthermore, since the valuation is based on comparisons with other publicly traded silver stocks, if their stock prices increase, the implied valuation of Western Copper will increase too.

CONCLUSION

Investors seeking exposure to silver have few investment choices. Two companies formed to focus on silver have dominated the silver equity market: Apex and Pan American. Apex is primarily focused on the San Cristobal project in Bolivia, which it has stated requires higher silver and zinc prices to be economic. Pan American has a broader portfolio of advanced projects, including some production. Our analysis of Pan American includes the recently-announced acquisition of Corner Bay.

Based solely on the current resources at Peñasquito and San Nicolas, Western Copper is valued in the market at between 50% and 66% of the per ounce valuation of Apex and Pan American – and between 28% and 34% accounting for other metals. Peñasquito is economically viable today, unlike San Cristobal, and Western's current drill program has raised the possibility that Chile Colorado may be much larger in terms of both tonnage and grade than previously thought.

While there are some political risks associated with holding assets in Mexico, the country is a full member of NAFTA and increasingly tied to the U.S. economically. In comparison, San Cristobal is in Bolivia, which is much less stable, and Pan American has significant assets in Russia.

We believe that Western will become an established alternative for investors seeking exposure to silver.

Balance Sheet

Financial Year: September 30	9.30.00 *(Audited)*	9.30.01 *(Audited)*	3.31.02 *(Un-audited)*
ASSETS			
Current assets			
Cash and equivalents	$ 29,403	$ 37,436	$ 1,236,343
Accounts receivable and prepaid expenses	7,273	13,316	33,302
TOTAL	36,676	50,752	1,269,645
Long-term investment	288,892	283,092	267,092
Property, plant and equipment (net)	11,865	3,315	566
Mineral properties	35,166,440	30,012,071	30,669,138
TOTAL ASSETS	35,503,873	30,349,230	32,206,441
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	624,820	2,430,567	2,607,417
Shareholders' equity			
Capital stock	41,177,803	43,118,759	44,996,756
Accumulated deficit	(6,298,750)	(15,200,096)	(15,397,732)
TOTAL SHAREHOLDERS' EQUITY	**34,879,053**	**27,918,663**	**29,599,024**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	35,503,873	30,349,230	32,206,441

Source: Company reports

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