

Part II Organizational Action (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ See Rider 17 attached

18 Can any resulting loss be recognized? ▶ See Rider 18 attached

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ See Rider 19 attached

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here
Signature ▶ *Robert Gayton* Date ▶ Jan 18, 2012
Print your name ▶ **Robert Gayton** Title ▶ **Director**

Paid Preparer Use Only	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	Thomas G. Collins	<i>Thomas G. Collins</i>	1/18/2012		P01079029
	Firm's name ▶ McCarter & English LLP	Firm's EIN ▶ 22-1534652		Phone no. 617-449-6500	
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Western Copper and Gold Corporation

Riders to IRS Form 8937 (Report of Organizational Actions Affecting Basis in Securities)

Part II - Organizational Action

Rider 14

Western Copper Corporation ("Western Copper"), now known as Western Copper and Gold Corporation ("WCGC"), pursuant to a Plan of Arrangement dated as of August 31, 2011 (the "Arrangement"), effected a "spin-off" transaction in which it transferred certain mineral exploration and other assets to Copper North Mining Corp. ("Copper North") and NorthIsle Copper and Gold Inc. ("NorthIsle"), each of which was formed on August 3, 2011 for purposes of the Arrangement. In connection with the Arrangement, each Western Copper common share that was exchanged in the Arrangement was exchanged for (i) one "new" common share of WCGC, (ii) 0.5 common share of Copper North and (iii) 0.5 common share of NorthIsle. Although October 17, 2011 was the effective date of the Arrangement when the share exchange occurred (for corporate legal purposes), the common shares of Copper North and NorthIsle commenced to trade on the TSX Venture Exchange ("TSXV") on October 24, 2011. The WCGC common shares are traded on the Toronto Stock Exchange and NYSE Amex. The foregoing is a summary of the Arrangement and does not purport to contain all details. Additional information about the Arrangement is contained in the Information Circular for the Special Meeting of Shareholders of Western Copper Corporation dated as of August 31, 2011 (the "Information Circular") and the related Plan of Arrangement which are publicly available at www.sedar.com and www.sec.gov.

Rider15

See the section in Exhibit A to this Form 8937 ("Exhibit A") entitled "Certain U.S. Federal Tax Considerations" included in the Information Circular for a description of the quantitative effect of the organizational action on the basis of securities.

Rider 16

In this transaction and assuming the distribution of shares qualifies as a reorganization under the Internal Revenue Code of 1986 (see Exhibit A), the aggregate basis of a U.S. shareholder's Western Copper shares would be allocated among such U.S. shareholder's "new" WCGC shares, Copper North shares and NorthIsle shares in proportion to their fair market values. There is no definitive guidance under existing U.S. federal income tax law as to the proper approach or method for determining the fair market value of stock for purposes of such tax basis allocation.

Based on a 5-day volume weighted average trading price immediately following the date on which the Copper North common shares and NorthIsle common shares commenced trading on the TSXV, WCGC calculated the fair market value of a share of WCGC at CDN\$2.34, a share of Copper North at CDN\$0.26 and a share of NorthIsle at CDN\$0.18. The currency exchange rate was 1.00 Canadian dollar to 0.99 U.S. dollar, as reported by the Bank of Canada at noon on October 25, 2011. Using that date as the operative currency exchange date, but subject to the qualification stated in the preceding paragraph, the U.S. market value of (i) a WCGC common

share is \$2.31, (ii) a Copper North common share is \$0.256, and (iii) a NorthIsle common share is \$0.172. Shareholders should consult with their own tax advisors to determine what measure of fair value is appropriate if they are required to recognize gain.

Rider 17

See Exhibit A. The applicable sections of the Internal Revenue Code of 1986 (the “Code”) upon which the tax treatment of the exchange of Western Copper common shares for WCGC “new” common shares is based are Code Sections 368 and 1036, and the applicable section upon which the tax treatment of the distribution of the North Copper common shares and NorthIsle common shares is based is Code Section 355. In addition, insofar as WCGC believes it was a passive foreign investment company, as defined in Section 1297 of the Code (a “PFIC”), immediately before the Arrangement, and will qualify as a PFIC for its current fiscal year, and as each of Copper North and NorthIsle is expected to qualify as a PFIC, Code Section 1297 is applicable.

Item 18

No. See Exhibit A.

Item 19

Not applicable.

**NOTICE OF MEETING
AND
INFORMATION CIRCULAR**

for the Special Meeting of

Shareholders of

WESTERN COPPER CORPORATION

Dated as of August 31, 2011

Non-resident Dissenter generally will not be subject to income tax under the Tax Act in respect of any such capital gain provided such shares do not constitute taxable Canadian property of the Non-resident Dissenter as described above under "Holders Not Resident in Canada — Exchange of Western Amalco Class B Shares for Western Amalco Class A Shares, Copper North Shares and NorthIsle Shares — Capital Gain".

Any interest paid to a Non-resident Dissenter upon the exercise of dissent rights will not be subject to Canadian withholding tax.

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

Scope of This Disclosure

The following discussion is a summary of the anticipated material U.S. federal income tax consequences arising from and relating to the Arrangement including the distribution of Copper North ("Spinco1") Shares ("Spinco 1 Shares") and NorthIsle ("Spinco2") Shares ("Spinco2 Shares") (together, the "Spinoff Shares") in the manner described below (the "Distribution"), and the consequent ownership and possible disposition of Spinoff Shares that are generally applicable to U.S. Holders (as defined below) of Western Copper Shares (which for purposes of this summary also refers to the Western Amalco Common Shares that replace them, pursuant to the Arrangement). This summary is limited to shareholders of Western Copper who are "United States persons" and hold their Western Copper Shares (and will hold Spinoff Shares following the Distribution) as capital assets within the meaning of the Internal Revenue Code of 1986, as amended (the "Code") ("U.S. Holders"). For purposes of this summary, a "United States person" is: (i) a citizen or individual resident of the United States, (ii) a corporation or other entity taxable as a corporation that is created or organized under the laws of the United States or any political subdivision thereof, (iii) an estate the income of which is subject to United States federal income tax regardless of its source, or (iv) any trust if a court within the United States is able to exercise primary supervision over the administration of the trust, and one or more United States persons have the authority to control all substantial decisions of the trust.

This summary is for general information only and does not address all aspects of United States federal income taxation that may be relevant to a U.S. Holder in light of the U.S. Holder's particular circumstances, or to U.S. Holders that may be subject to special treatment under the Code (including, without limitation, certain financial institutions, real estate investment trusts, tax-exempt organizations, qualified retirement plans, individual retirement accounts, regulated investment companies, insurance companies, and brokers and dealers or traders in securities or currencies, insurance companies, persons holding stock as part of a straddle, hedge, conversion transaction or other integrated investment, persons whose functional currency is not the United States dollar, and persons who may have acquired their Western Copper Shares (or who will acquire Spinoff Shares) through the exercise of employee stock options or otherwise as compensation). This summary also does not address the tax treatment of U.S. Holders that hold their Western Copper Shares (or will hold Spinoff Shares) through a partnership or other pass-through entity, persons subject to the alternative minimum tax, and persons who own their Western Copper Shares (or will own Spinoff Shares) other than as a capital asset as defined in the Code. This summary does not address aspects of U.S. taxation other than U.S. federal income taxation, nor does it address any aspects of state, local or foreign tax law.

This summary does not address the U.S. federal income tax consequences of transactions effectuated prior or subsequent to, or concurrently with, the Distribution (whether or not any such transactions are undertaken in connection with the Distribution) including, without limitation, the following: (i) the exercise of any Western Copper Stock Option, warrant or other right to acquire Western Copper Shares (or, post-transaction, Spinoff Shares); (ii) the receipt of options by a holder of Western Copper Stock Options; (iii) any conversion of one class of shares of Western Copper stock into a different class of shares of Western Copper stock; and (iv) the issuance or exercise of any warrant. Holders of Western Copper Stock Options, or other potential recipients of options or warrants, are urged to consult their own tax advisors regarding the receipt, exercise or disposition of such options or warrants, including the applicability of Section 409A of the Code.

This discussion is based on the Code, existing, temporary and currently proposed regulations promulgated under the Code, and judicial and administrative interpretations thereof, all as of the date hereof and all of which are subject to change, possibly with retroactive effect. Western Copper has not requested any ruling from the United States Internal Revenue Service ("IRS") with respect to the statements made and the conclusions reached in this summary. No assurance can be given that the IRS will agree with such statements and conclusions, or will not take, or a court will not adopt, a position contrary to any position taken herein.

EACH U.S. HOLDER IS URGED TO CONSULT WITH ITS TAX ADVISOR REGARDING THE TAX CONSEQUENCES OF THE DISTRIBUTION, THE EXCHANGE, AND THE CONSEQUENT OWNERSHIP AND POSSIBLE DISPOSITION OF SPINOFF SHARES, INCLUDING THE EFFECTS OF FEDERAL, STATE, LOCAL, FOREIGN, AND OTHER TAX LAWS.

TO ENSURE COMPLIANCE WITH REQUIREMENTS IMPOSED BY THE IRS UNDER TREASURY CIRCULAR 230, WE INFORM YOU THAT (1) ANY DISCUSSION OF U.S. FEDERAL INCOME TAX ISSUES CONTAINED IN THIS INFORMATION CIRCULAR (INCLUDING ANY ATTACHMENTS), UNLESS OTHERWISE SPECIFICALLY STATED, WAS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, FOR THE PURPOSE OF AVOIDING PENALTIES UNDER THE UNITED STATES INTERNAL REVENUE CODE, (2) SUCH DISCUSSION WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE ARRANGEMENT OR MATTERS ADDRESSED BY THIS INFORMATION CIRCULAR AND (3) EACH U.S. HOLDER SHOULD SEEK ADVICE BASED UPON ITS PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

Assumptions Regarding Western Copper, Spinco1, and Spinco2

This summary is based upon certain understandings and assumptions with respect to the business, assets and shareholders of Western Copper, Spinco1, and Spinco2, including that none of Western Copper, Spinco1, or Spinco2 are, or at any time have been, or will be immediately after the Distribution, "controlled foreign corporations" as defined in Section 957 of the Code ("CFC"). Western Copper believes that it is not and has never been a CFC and neither Spinco1 nor Spinco2 expect to become a CFC in the future. In the event that one or more of such understandings or assumptions proves to be inaccurate, the following summary may not apply and material adverse U.S. federal income tax consequences may result to U.S. Holders.

Treaty Application to Certain Persons

U.S. Holders who do not maintain a substantial presence, permanent home or habitual abode in the U.S. or whose personal and economic relations are not closer to the U.S. than to any other country (other than Canada) may be unable to benefit from the provisions of the Convention Between the United States of America and Canada with Respect to Taxes on Income and on Capital, signed September 26, 1980, as amended (the "Canada-U.S. Tax Convention"). U.S. Holders should consult their own tax advisors concerning the availability of benefits under the Canada-U.S. Tax Convention.

Particular Circumstance of any Particular U.S. Holder Not Addressed

This summary does not take into account the particular facts and circumstances, with respect to U.S. federal income tax issues, of any particular U.S. Holder. Each U.S. Holder should consult its own tax advisor regarding the U.S. federal income tax consequences of the Distribution and the Arrangement to them in light of their particular circumstances.

Distribution of Spinoff Shares

The Distribution consists of the series of transactions undertaken pursuant to the Arrangement involving, in part, (i) the transfer of certain property into Spinco1, and the transfer of certain other property into Spinco2; and (ii) the distribution of Spinco1 Shares and Spinco2 Shares. This summary assumes that, for U.S. federal tax purposes, the ultimate conversion of Western Copper Shares to Western Amalco Common Shares pursuant to the Arrangement will properly be treated as a tax-deferred exchange of Western Copper Shares for Western Amalco Common Shares under Section 1036 or Section 368(a)(1)(E), and that the Distribution will be treated as if Western Copper transferred assets to Spinco1 and Spinco2 in exchange for the Spinoff Shares, and then distributed the Spinoff Shares to the shareholders of Western Copper. Because the Distribution will be effected under the applicable provisions of Canadian law which are technically different from analogous provisions of U.S. corporate law, there can be no assurances that the IRS or a U.S. court would not take a contrary view of the Arrangement and/or the Distribution.

Assuming that the Distribution is treated for U.S. federal income tax purposes in the manner set forth in the paragraph above, the Distribution may or may not qualify as a reorganization within the meaning of subparagraph (D) of Section 368(a)(1) of the Code. A transaction qualifying under one of the subparagraphs of Section 368(a)(1) of the Code is referred to in this discussion as a "**Reorganization**". In order for the Distribution to qualify as a Reorganization, among other things, Spinco1 and Spinco2 would have to have been engaged in an "active trade or business" as such term is defined in Section 355 of the Code that has been actively conducted for at least five years immediately prior to the Distribution. It is unclear whether Spinco1 and Spinco2 would satisfy this requirement and Spinco1 and Spinco2 may not satisfy other requirements imposed by Section 355 of the Code. No opinion of legal counsel and no ruling from the IRS concerning the U.S. federal income tax consequences of the Distribution has been obtained and none will be requested.

If the Distribution Does Not Qualify as a Reorganization

Subject to the passive foreign investment company ("**PFIC**") rules discussed below, if the Distribution does not qualify as a Reorganization, U.S. Holders receiving the Spinoff Shares under the Distribution would be required to include in gross income as ordinary income for U.S. federal income tax purposes the fair market value of such Spinoff Shares to the extent that Western Copper has current or accumulated earnings and profits, without reduction for any Canadian income tax withheld from such distributions. Any such Canadian tax withheld may be credited, subject to certain limitations, against the U.S. Holder's federal income tax liability or, alternatively, may be deducted in computing the U.S. Holder's federal taxable income by those who itemize deductions. Western Copper does not believe that it has any accumulated earnings and profits. Whether it will have current earnings and profits will depend on the results of its operations for the current tax year and the amount of gain recognized by it as a result of the Distribution of the Spinoff Shares. While the amount of any current earnings and profits cannot be predicted with certainty, Western Copper believes that either it will have no earnings and profits for the current tax year or that the amount of such earnings and profits will be immaterial. Accordingly, the U.S. Holders either should recognize no ordinary income, or an immaterial amount of ordinary income, as a result of the Distribution. To the extent that the gross fair market value of the Spinoff Shares exceeds the current and accumulated earnings and profits of Western Copper, such excess would be treated first as a return of capital up to the U.S. Holder's adjusted tax basis in its Western Copper Shares, and thereafter as gain from the sale or exchange of its Western Copper Shares. Such gain generally would be capital gain if such Western Copper Shares were held as capital assets at the time of the Distribution and would be long-term capital gain if the U.S. Holder's holding period for the Western Copper Shares with respect to which the distribution of Spinoff Shares is made is more than one year at the time of the Distribution. Gains and losses are netted and combined according to special rules in arriving at the overall capital gain or loss for a particular tax year. Preferential tax rates for long-term capital gains are generally applicable to a U.S. Holder which is an individual, estate or trust. There are currently no preferential tax rates for long-term capital gains for a U.S. Holder which is a corporation. Deductions for capital losses are subject to significant limitations. For U.S. Holders who are not corporations, any unused portion of a net capital loss may be carried over to be used in later tax years until such net capital

loss is thereby exhausted. For U.S. Holders that are corporations, an unused net capital loss may generally be carried back three years from the loss year and carried forward five years from the loss year to be offset against capital gains until such net capital loss is thereby exhausted.

If the Distribution Does Qualify as a Reorganization

Subject to (i) the assumptions, limitations and qualifications referred to herein and (ii) the PFIC rules discussed below, if the Distribution qualifies as a Reorganization, the Distribution will result in the following U.S. federal income tax consequences to U.S. Holders:

1. a U.S. Holder who receives Spinoff Shares in the Distribution would not recognize any gain or loss as a result of the Distribution;
2. the aggregate basis of Western Copper Shares held by the U.S. Holder would be allocated among such U.S. Holder's Western Copper Shares, Spinco1 Shares, and Spinco2 Shares in proportion to their relative fair market values; and
3. the holding period in the Spinoff Shares received by the U.S. Holder in the Distribution would include the holding period of the Western Copper Shares exchanged therefor.

PFIC Rules

Definition of a PFIC

Section 1297 of the Code generally defines a PFIC as a corporation that is not formed in the U.S. and, for any taxable year, either (i) 75% or more of its gross income is "passive income" or (ii) the average percentage, by fair market value (or, if the corporation is not publicly traded and either is a CFC or makes an election, by adjusted tax basis), of its assets that produce or are held for the production of "passive income" is 50% or more. For this purpose, the term "passive income" includes, for example, dividends, interest, certain rents and royalties, certain gains from the sale of stock and securities, and certain gains from commodities transactions. However, gains resulting from commodities transactions are generally excluded from the definition of passive income if "substantially all" of a merchant's, producer's or handler's business is as an active merchant, producer or handler of such commodities.

For purposes of the PFIC income test and assets test, if a foreign corporation owns (directly or indirectly) at least 25% by value of the stock of another corporation, such foreign corporation shall be treated as if it (i) held a proportionate share of the assets of such other corporation, and (ii) received directly its proportionate share of the income of such other corporation. Also, for purposes of such PFIC tests, passive income does not include any interest, dividends, rents or royalties that are received or accrued from a "related" person to the extent such amount is properly allocable to the income of such related person which is not passive income. For these purposes, a person is related with respect to a foreign corporation if such person "controls" the foreign corporation or is controlled by the foreign corporation or by the same persons that control the foreign corporation. For these purposes, "control" means ownership, directly or indirectly, of stock possessing more than 50% of the total voting power of all classes of stock entitled to vote or of the total value of stock of a corporation.

PFIC Status of Western Copper, Spinco1, and Spinco2

Western Copper believes that it qualified as a PFIC for its most recent fiscal year ended on or prior to the date of the Exchange, qualified as a PFIC in earlier fiscal years and will qualify as a PFIC for its current fiscal year. Spinco1 and Spinco2 are expected to qualify as a PFICs. However, there can be no assurances that unanticipated events will not cause Western Copper, Spinco1, or Spinco2 to qualify or fail to qualify as a PFIC

or that any determination concerning Western Copper's current or expected PFIC status will not be challenged by the IRS. See "Impact of PFIC Rules on Certain U.S. Holders."

If a foreign corporation is a PFIC at any time during a U.S. Holder's holding period (and was not a qualified electing fund ("QEF") as described below), the U.S. Holder will generally continue to be subject to the rules regarding excess distributions and dispositions of PFIC stock discussed below, even if the foreign corporation ceases to be a PFIC, unless certain gain recognition elections are made to "purge" the PFIC taint.

Impact of PFIC Rules on Certain U.S. Holders

The impact of the PFIC rules on a U.S. Holder will depend on whether the U.S. Holder has made a timely and effective election to treat Western Copper as a "qualified electing fund" under Section 1295 of the Code for the tax year that is the first year in the U.S. Holder's holding period of Western Copper Shares during which Western Copper qualified as a PFIC (a "QEF Election"). A U.S. Holder's ability to make a QEF election with respect to Western Copper is contingent upon, among other things, the provision by Western Copper of a "PFIC Annual Information Statement" to such U.S. Holder. Western Copper has provided such information statement to U.S. Holders that have requested one. A U.S. Holder of a PFIC who made such a QEF Election may hereinafter be referred to as an "Electing Shareholder" and a U.S. Holder of a PFIC who did not make a QEF Election may hereinafter be referred to as a "Non-Electing Shareholder".

If a U.S. Holder has not made a timely and effective QEF Election with respect to the first year in the U.S. Holder's holding period in which the Company is a PFIC, such U.S. Holder generally may qualify as an Electing Shareholder by filing on a timely filed U.S. income tax return (including extensions) a QEF Election and a "deemed sale election" to recognize under the rules of Section 1291 of the Code any gain that it would otherwise recognize if the U.S. Holder sold its stock for fair market value on the "qualification date." The qualification date is the first day of Western Copper's tax year in which Western Copper qualified as a "qualified electing fund" with respect to such U.S. Holder. The deemed sale election can only be made if such U.S. Holder held Western Copper Shares on the qualification date. By timely making such QEF and deemed sale elections, the U.S. Holder will be deemed to have made a timely QEF Election.

The impact of the PFIC rules on a U.S. Holder may also depend on whether the U.S. Holder has made a mark to market election under Section 1296 of the Code. See "Mark to Market Election" below.

Effect of PFIC Rules on the Distribution

Special taxation rules under Section 1291 of the Code apply to certain "excess distributions" made by a PFIC. For this purpose, an excess distribution is generally a distribution received in the current taxable year that is in excess of 125% of the average distributions received with respect to a U.S. Holder's stock during the three preceding years or, if shorter, the U.S. Holder's holding period. Assuming Western Copper is and has been a PFIC, if the Distribution does not qualify as a Reorganization, a Non-Electing Shareholder generally would be required to pro rate all excess distributions on its Western Copper Shares over the entire holding period for such Western Copper Shares. All excess distributions allocated to prior years of such Non-Electing Shareholder (other than years prior to the first taxable year of Western Copper during such Non-Electing Shareholder's holding period and beginning after January 1, 1987 for which it was a PFIC) would be taxed at the highest tax rate for each such prior year applicable to ordinary income. The Non-Electing Shareholder also would be liable for interest on the foregoing tax liability for each such prior year calculated as if such liability had been due with respect to each such prior year. A Non-Electing Shareholder that is not a corporation must treat this interest charge as "personal interest" which is wholly nondeductible. The balance of the excess distribution (i.e., amounts allocated to the current year and tax years in the Non-Electing Shareholder's holding period before the corporation became a PFIC) will be treated as ordinary income in the year of the distribution, and no interest charge will be incurred with respect to such balance. If the Distribution of the Spinoff Shares constitutes an

excess distribution with respect to a Non-Electing Shareholder, such Non-Electing Shareholder will be subject to the foregoing tax rules regarding the Spinoff Shares received by such Non-Electing Shareholder.

An Electing Shareholder generally would not be subject to the PFIC rules discussed above but rather would include annually in gross income its pro rata share of the ordinary earnings and net capital gain of the PFIC, whether or not such amounts are actually distributed.

A U.S. Holder who has made a mark-to-market election with respect to its Western Copper Shares generally would not be subject to the PFIC rules discussed above but rather would generally include in income as ordinary income any excess of the fair market value of its Western Copper Shares as of the close of each taxable year over the adjusted basis in such shares. However, if the mark-to-market election is made by a Non-Electing Shareholder after the beginning of its holding period for the PFIC stock, then the Code Section 1291 rules will apply to certain dispositions of, distributions on and other amounts taxable with respect to its Western Copper Class A Shares.

If the Distribution does qualify as a Reorganization, for purposes of the PFIC rules, a U.S. Holder would generally be treated as disposing of all of its Western Copper Shares in exchange for Western Copper Shares and Spinoff Shares and would generally be subject to the PFIC rules as discussed in "Effect of PFIC Rules if the Exchange Qualifies as a Reorganization" below. As discussed below, gain would not generally be recognized on the Distribution by an Electing Shareholder or, assuming that Western Copper is a PFIC and that Spinco1 and Spinco2 are PFICs for their taxable years that includes the day after the Distribution, a Non-Electing Shareholder, by reason of the PFIC rules, if the Distribution otherwise qualifies as a Reorganization.

Mark to Market Election

U.S. Holders who hold (actually or constructively) marketable stock of a foreign corporation that qualifies as a PFIC may annually elect to mark such stock to its market value (a "mark-to-market election"). If such an election is made, such U.S. Holder generally will not be subject to the special taxation rules of Section 1291 of the Code discussed above. However, if the mark-to-market election is made by a Non-Electing Shareholder after the beginning of the holding period for the PFIC stock, then the Code Section 1291 rules will apply to certain dispositions of, distributions on and other amounts taxable with respect to Western Copper Shares.

Information Reporting

The Proposed Treasury Regulations issued under Section 1291(f) of the Code provide that U.S. Holders must report certain information to the IRS on Form 8621 with their federal income tax return. Special information reporting requirements apply in the case of certain transfers entitled to nonrecognition treatment. U.S. Holders are urged to consult with their own tax advisors concerning such reporting requirements.

Status of Proposed Regulations

The Proposed Treasury Regulations state that they are to be effective for transactions occurring on or after April 11, 1992. If the Proposed Treasury Regulations are adopted in their current form, the tax consequences to a U.S. Holder of Western Copper Shares should be as set forth in the preceding paragraphs. However, because the Proposed Treasury Regulations have not yet been adopted in final form, they are not currently effective and there is no assurance they will be finally adopted in the form and with the effective date proposed. Nevertheless, the IRS has announced that, in the absence of final Treasury Regulations, taxpayers may apply reasonable interpretations of Code provisions applicable to PFICs and that it considers the rules set forth in the proposed regulations to be reasonable interpretations of those Code provisions.

The PFIC rules are complex and the implementation of certain aspects of the PFIC rules requires the issuance of Treasury Regulations which in many instances have not been promulgated and which may be promulgated and

which may have retroactive effect. There can be no assurance that any of these proposals will be enacted or promulgated, and if so, the form they will take or the effect that they may have on this discussion. Accordingly, and due to the complexity of the PFIC rules, U.S. Holders are strongly urged to consult their own tax advisors concerning the impact of these rules on their investment in Western Copper Shares, the Distribution and the Arrangement, including, without limitation, whether a QEF Election, "deemed sale" election and "mark-to-market" election may be used to reduce the significant adverse U.S. federal income tax consequences of the PFIC rules.

Dissenting U.S. Holders

A U.S. Holder who exercises dissent rights will recognize gain or loss on the exchange of such U.S. Holder's Western Copper Shares for cash in an amount equal to the difference between (i) the amount of cash received and (ii) such holder's adjusted tax basis in its Western Copper Shares. Subject to the PFIC rules discussed above, such gain or loss generally will be capital gain or loss if such shares were held as capital assets at the time of the Arrangement and will be long-term capital gain or loss if the U.S. Holder's holding period for such shares is more than one year at such time. Gains and losses are netted and combined according to special rules in arriving at the overall capital gain or loss for a particular tax year.

Preferential tax rates for long-term capital gains are generally applicable to a U.S. Holder which is an individual, estate or trust. There are currently no preferential tax rates for long-term capital gains for a U.S. Holder which is a corporation. Deductions for capital losses are subject to significant limitations. For U.S. Holders that are not corporations, any unused portion of such capital loss may be carried over to be used in later tax years until such net capital loss is thereby exhausted. For U.S. Holders that are corporations, an unused net capital loss may be carried back three years from the loss year and carried forward five years from the loss year to be offset against capital gains until such net capital loss is thereby exhausted.

Currency Gains

The fair market value of any Canadian currency received by a U.S. Holder in the Arrangement generally will be based on the rate of exchange on the date of the Arrangement. A subsequent disposition of any Canadian currency received (including its conversion into U.S. currency) generally will give rise to income or loss, treated as ordinary income or loss. U.S. Holders should consult their own tax advisors concerning the U.S. federal income tax consequences of acquiring, holding and disposing of Canadian dollars.

Material U.S. Federal Income Tax Considerations Relating to the Ownership and Disposition of Spinoff Shares

The following discussion regarding the treatment of future distributions from, and the sale or exchange of shares of, Spinco and Spinco2 are subject to the PFIC rules discussed above. It is expected that Spinco1 and Spinco2 will be treated as PFICs.

Taxation of Dividends

Subject to the PFIC rules, for U.S. federal income tax purposes, the gross amount of a distribution by Spinco1 or Spinco2 in respect of Spinco1 Shares or Spinco2 Shares owned by a U.S. Holder, including any amounts of Canadian tax withheld on the distribution, will be treated as dividend income to such U.S. Holder to the extent paid out of the distributing corporation's current or accumulated earnings and profits, as determined for U.S. federal income tax purposes. That dividend income will not be eligible for the dividends received deduction generally allowed to corporations under Section 243 of the Code. To the extent such distribution exceeds the U.S. Holder's allocable share of the distributing corporation's current and accumulated earnings and profits, the excess will be applied first to reduce the U.S. Holder's basis in its shares in such corporation, and any remaining excess will constitute gain from the deemed sale or exchange of such shares. See "Tax on Sale or Exchange of

Shares" below. Dividends paid by Spinco1 or Spinco2 in Canadian dollars will be included in the income of a U.S. Holder in a U.S. dollar amount calculated by reference to the exchange rate in effect on the date of receipt thereof by the depository, regardless of whether the payment is in fact converted into U.S. dollars. If the dividends paid in Canadian dollars are converted into U.S. dollars on the date of receipt, U.S. Holders generally should not be required to recognize foreign currency gain or loss in respect of the dividend income.

For U.S. federal income tax purposes, a U.S. Holder may generally elect to treat Canadian withholding taxes as either a deduction from gross income or, subject to certain limitations, a credit against the U.S. federal income tax liability of that U.S. Holder. The maximum foreign tax credit allowable generally is equal to the U.S. Holder's U.S. federal income tax liability for the taxable year multiplied by a fraction, the numerator of which is the U.S. Holder's taxable income from sources without the United States and the denominator of which is the U.S. Holder's taxable income from all sources for the taxable year. That foreign tax credit limitation is applied separately to different "baskets" of income. For purposes of applying the foreign tax credit limitation, dividends generally are included in the "passive income" basket or, if received by certain holders and certain other conditions are met, the "general category" basket.

Tax on Sale or Exchange of Shares

Subject to the PFIC rules, for U.S. federal income tax purposes, a U.S. Holder generally will recognize gain or loss on any sale, exchange or other disposition of Spinoff Shares unless a specific nonrecognition provision applies. That gain or loss will be measured by the difference between (i) the U.S. dollar value of the amount of cash, and the fair market value of any other property received and (ii) the U.S. Holder's tax basis in the shares disposed of, determined in U.S. dollars. Gain or loss arising from a sale or exchange of Spinoff Shares will be capital gain or loss if the shares disposed of are held as capital assets by the U.S. Holder, and will be short term or long term capital gain or loss depending on whether the holding period of the U.S. Holder for such shares exceeds one year. As noted above, a U.S. Holder's tax basis and holding period in the Spinoff Shares generally will equal such U.S. Holder's tax basis and holding period in the Western Copper Shares exchanged therefor. In general, gain from a sale or exchange of Spinoff Shares by a U.S. Holder will be treated as United States source income for foreign tax credit limitation purposes.

U.S. Backup Withholding and Information Reporting

Proceeds from the sale of, and dividends, on Spinco1 Shares or Spinco2 Shares paid within the United States or through certain U.S.-related financial intermediaries are subject to information reporting and may be subject to backup withholding at 28% unless the U.S. Holder (1) is a corporation or other exempt recipient or (2) provides a taxpayer identification number and certifies that no loss of exemption from backup withholding has occurred. Any amount withheld from a payment to a U.S. Holder under the backup withholding rules will be allowable as a credit against such U.S. Holder's U.S. federal income tax liability, provided that the required information is furnished to the U.S. Internal Revenue Service.

No Ruling or Legal Opinion

No opinion of legal counsel and no ruling from the IRS concerning the U.S. federal income tax consequences of the Distribution or any other matter discussed herein has been obtained and none will be requested. This summary is not binding on the IRS and the IRS is not precluded from taking a different position or positions. U.S. Holders should be aware that some of the U.S. federal income tax consequences of the Distribution are governed by provisions of the Code as to which there are no final Treasury Regulations and little or no judicial or administrative guidance.

THIS SUMMARY IS OF A GENERAL NATURE ONLY AND IS NOT INTENDED TO BE, AND SHOULD NOT BE CONSTRUED TO BE, LEGAL, BUSINESS OR TAX ADVICE TO ANY PARTICULAR SHAREHOLDER. SHAREHOLDERS SHOULD CONSULT THEIR OWN TAX

ADVISORS AS TO THE TAX CONSEQUENCES OF THE DESCRIBED TRANSACTIONS IN THEIR PARTICULAR CIRCUMSTANCES.