

# **WESTERN METALLICA CORP.**

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## **Condensed Interim Consolidated Financial Statements**

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**For the three months ended March 31, 2022 and 2021**

**(Expressed in Canadian Dollars)**

**(Unaudited)**

**NOTICE OF NO AUDITOR REVIEW OF  
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the interim consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada (CPA Canada) for a review of interim financial statements by an entity's auditor.

# Western Metallica Corp.

## Condensed Interim Consolidated Statements of Financial Position

Expressed in Canadian Dollars - Unaudited

As at:		March 31, 2022	December 31, 2021
	Note	\$	\$
<b>ASSETS</b>			
Current			
Cash		466,878	659,280
Restricted cash	12	6,767,939	6,767,939
Amounts receivable		96,856	52,155
Prepaid expenses		44,301	46,021
Prepaid finance expenses	12	808,501	742,560
<b>Total current assets</b>		<b>8,184,475</b>	<b>8,267,955</b>
Long-term			
Reclamation deposit		13,022	13,528
<b>Total assets</b>		<b>8,197,497</b>	<b>8,281,483</b>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable and accrued liabilities	8,9	458,906	374,265
Other liabilities	12	8,000,100	8,000,100
<b>Total liabilities</b>		<b>8,459,006</b>	<b>8,374,365</b>
<b>SHAREHOLDERS' (DEFICIENCY)</b>			
Common shares	5	1,109,786	509,786
Warrant reserve	6	390,951	390,951
Deficit		(1,762,246)	(993,619)
<b>Total shareholders' (deficiency)</b>		<b>(261,509)</b>	<b>(92,882)</b>
<b>Total liabilities and shareholders' (deficiency)</b>		<b>8,197,497</b>	<b>8,281,483</b>
Nature of operations and going concern	1		
Commitments and contingencies	11		
Subsequent events	13		

Approved on behalf of the Board of Directors:

Signed: "Gregory Duras", Director

Signed: "Joaquin Merino", Director

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

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**Western Metallica Corp.****Condensed Interim Consolidated Statements of Loss and Comprehensive Loss***Expressed in Canadian Dollars - Unaudited*

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		Three months ended Mar 31,	
	Note	2022	2021
		\$	\$
<b>Expenses</b>			
Project evaluation expenses	3, 4	733,072	40,145
Salaries and benefits		8,903	-
Office and general		35,798	405
<b>(Loss) for the period before other items</b>		<b>(777,773)</b>	<b>(40,550)</b>
<b>Other items</b>			
Foreign exchange gain		9,146	9,475
<b>Net loss and comprehensive loss</b>		<b>(768,627)</b>	<b>(31,075)</b>
<b>Basic and diluted (loss) per share</b>		<b>\$ (0.07)</b>	<b>\$ (0.00)</b>
<b>Weighted average number of common shares outstanding</b>			
Basic and Diluted		10,658,333	9,725,000

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

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**Western Metallica Corp.****Condensed Interim Consolidated Statements of Changes in Shareholders' (Deficiency)***Expressed in Canadian Dollars - Unaudited*

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	Number of shares #	Common Shares \$	Number of warrants #	Warrant Reserve \$	Deficit \$	Shareholders' (deficiency) \$
<b>Balance, December 31, 2020</b>	<b>9,725,000</b>	<b>509,786</b>	<b>1,862,500</b>	<b>208,951</b>	<b>(783,139)</b>	<b>(64,402)</b>
Loss and comprehensive loss for the period	-	-	-	-	(31,075)	(31,075)
<b>Balance, March 31, 2021</b>	<b>9,725,000</b>	<b>509,786</b>	<b>1,862,500</b>	<b>208,951</b>	<b>(814,214)</b>	<b>(95,477)</b>
<b>Balance, December 31, 2021</b>	<b>9,725,000</b>	<b>509,786</b>	<b>3,076,370</b>	<b>390,951</b>	<b>(993,619)</b>	<b>(92,882)</b>
Acquisition of Asminarq SL	2,000,000	600,000	-	-	-	600,000
Loss and comprehensive loss for the period	-	-	-	-	(768,627)	(768,627)
<b>Balance, March 31, 2022</b>	<b>11,725,000</b>	<b>1,109,786</b>	<b>3,076,370</b>	<b>390,951</b>	<b>(1,762,246)</b>	<b>(261,509)</b>

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

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**Western Metallica Corp.****Condensed Interim Consolidated Statements of Cash Flows***Expressed in Canadian Dollars - Unaudited*

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		Three months ended Mar 31,	
	Note	2022	2021
		\$	\$
<b>Cash (used in)/provided by:</b>			
<b>Operating activities</b>			
(Loss) for the period		(768,627)	(31,075)
Items not involving cash:			
Issuance of shares - Asminarq SL	3, 5	600,000	-
Foreign exchange		506	416
Changes in non cash working capital		41,660	27,521
<b>Net cash (used in) operating activities</b>		<b>(126,461)</b>	<b>(3,138)</b>
<b>Financing activities</b>			
Subscription receipt issuance costs	12	(65,941)	-
<b>Net cash (used in) financing activities</b>		<b>(65,941)</b>	<b>-</b>
<b>Change in cash</b>		<b>(192,402)</b>	<b>(3,138)</b>
<b>Cash, beginning of period</b>		<b>659,280</b>	<b>18,650</b>
<b>Cash, end of period</b>		<b>466,878</b>	<b>15,512</b>

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

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# Western Metallica Corp.

## Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2022 and 2021

Expressed in Canadian Dollars - Unaudited

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### 1. NATURE OF OPERATIONS AND GOING CONCERN

Western Metallica Corp. (the “Company”, or “Western Metallica”) was incorporated on September 18, 2018 as a Province of Ontario registered corporation pursuant to the *Business Corporations Act of Ontario*. The Company changed its name from 2657772 Ontario Inc. on October 30, 2019 to Western Metallica Corp.

The Company is currently engaged in the acquisition, exploration, and development of mineral properties in Spain. The head office and principal address of the Company is 93 Ridley Blvd., Toronto, Ontario, M5M 3L6.

The business of exploring for minerals involves a high degree of risk and there can be no assurance that the current exploration programs will result in profitable operations.

The Company is in the process of exploring its mineral exploration properties and has not yet determined whether these properties contain mineral reserves that are economically recoverable. The recoverability of exploration and evaluation expenditures is dependent upon the establishment of a sufficient quantity of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development and upon future profitable production or proceeds from the disposition of these assets.

Although the Company has taken steps to verify title to the properties on which it is conducting its exploration activities, these procedures do not guarantee the Company’s title. Property title may be subject to government licensing requirements or regulations, social licensing requirements, unregistered prior agreements, unregistered claims, and non-compliance with regulatory and environmental requirements. The Company’s assets may also be subject to increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and restrictions, and political uncertainty.

As at March 31, 2022, the Company had a working capital deficiency of \$274,531 (December 31, 2021 - \$106,410). The Company has a need for equity financing for working capital and exploration and development of its properties. Because of continuing operating losses, the Company’s continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operation. Subsequent to March 31, 2022, the Company completed the escrow conditions related to the subscription receipt financing (Note 12) and completed a transaction to become a reporting issuer (Note 13).

These condensed interim consolidated financial statements have been prepared using accounting policies applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of operations. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying financial statements. Such adjustments could be material.

#### Novel Coronavirus (“COVID-19”)

The Company’s operations could be significantly and adversely affected by the effects of a widespread global outbreak of a contagious disease, including the recent outbreak of respiratory illness caused by COVID-19. The Company cannot accurately predict the impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company’s operations and ability to finance its operations. Despite the severity of the COVID-19 pandemic, there were no material impacts on the Company’s operations and finances for the three months ended March 31, 2022.

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# Western Metallica Corp.

## Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2022 and 2021

Expressed in Canadian Dollars - Unaudited

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### 2. BASIS OF PRESENTATION

#### ***Statement of compliance***

These condensed interim consolidated financial statements are in compliance with IAS 34, *Interim Financial Reporting*. Accordingly, certain information and disclosures normally included in annual financial statements prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), have been omitted or condensed. These condensed interim consolidated financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2021.

#### ***Basis of presentation***

These condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information, and have been prepared using the historical cost basis. Furthermore, these condensed interim consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiary. All values are rounded to the nearest dollar.

These condensed interim consolidated financial statements include the accounts of Western Metallica Corp. and its wholly owned subsidiary, Western Metallica Espana. All material intercompany transactions and balances between the subsidiary have been eliminated on consolidation.

#### ***Approval of the consolidated financial statements***

These condensed interim consolidated financial statements of the Company for the three months ended March 31, 2022 were reviewed, approved and authorized for issue by the Board of Directors of the Company on May 27, 2022.

#### ***Critical judgements and estimation uncertainties***

The preparation of financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the financial statements and related notes to the financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

#### ***Assets' carrying values and impairment charges***

In the determination of carrying values and impairment charges, management looks at the higher of recoverable amount or fair value less costs to sell in the case of assets and at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

#### ***Share-based payments and warrants***

Management determines costs for share-based payments and warrants issued in financing transactions using market-based valuation techniques. The fair value of the market-based share awards is determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.



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# Western Metallica Corp.

## Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2022 and 2021

Expressed in Canadian Dollars - Unaudited

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### 2. BASIS OF PRESENTATION (continued)

#### *Critical judgements and estimation uncertainties (continued)*

##### Income, value added, withholding and other taxes

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

##### Rehabilitation provisions

The Company records management's best estimate of the present value of the future cash requirements of any rehabilitation obligation as a long-term liability in the period in which the related environmental disturbance occurs based on the net present value of the estimated future costs. This obligation is adjusted at each period end to reflect the passage of time and any changes in the estimated future costs underlying the obligation. In determining this obligation, management must make a number of assumptions about the amount and timing of future cash flows and discount rate to be used. The actual future expenditures may differ from the amounts currently provided if the estimates made are significantly different than actual results or if there are significant changes in environmental and/or regulatory requirements in the future.

##### Contingencies

Refer to Notes 1 and 11.

### 3. ACQUISITION OF A SUBSIDIARY

On February 14, 2022, the Company acquired Asminarq SL ("Asminarq"). At the acquisition date, Asminarq held the mining rights to the Penedela Property (Note 4). As Asminarq did not meet the definition of a business as per IFRS 3, the acquisition was treated as an asset acquisition. Details of the allocation of the estimated fair values of identifiable assets acquired and liabilities assumed, and price consideration are as follows:

Consideration paid:	
Issuance of 2,000,000 common shares	\$ 600,000
Cash payment (EUR100,000)	139,750
	<u>\$ 739,750</u>
Purchase price allocation:	
Project evaluation expense	\$ 739,750

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# Western Metallica Corp.

## Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2022 and 2021

Expressed in Canadian Dollars - Unaudited

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### 4. PROJECT EVALUATION EXPENSES

The Company holds certain property interests for gold exploration in Asturias, Spain and for polymetallic exploration in the Autonomous Region of Andalusia, Spain.

#### a) Penedela Property

During 2019, the Company entered into an option agreement with Asminarq, to earn up to 100% of the rights to the Penedela Property. Asminarq is the company that currently owns the mining rights. The property is located in the west of Asturias, Spain, in the council area of Ibias, and was granted by the Asturian Mines (Minas de Asturias) authority to cover the exploration for gold, silver, lead and zinc.

On February 14, 2022, Western Metallica entered into a purchase agreement (the "Purchase Agreement") with Asminarq, superseding the above-mentioned agreement whereby Western Metallica acquired 100% of Asminarq pursuant to the following terms:

- Payment from Western Metallica to the Asminarq shareholders in the amount of €100,000 (\$139,750) upon signature of the Purchase Agreement (paid on March 4, 2022);
- The issuance of 2,000,000 post-share split Western Metallica common shares to the Asminarq shareholders (1,271,242 pre-share split Western Metallica common shares, issued on April 13, 2022);
- If Western Metallica completes a NI43-101-compliant resource of one million ounces of gold in a defined target area, Western Metallica will pay Asminarq €500,000, plus an additional €0.50 per additional ounce, over and above the one million ounces of gold, up to two million ounces of gold; and
- Asminarq will retain a 2% NSR (Net Smelter Return), of which 1% (half) of the NSR may be purchased by Western Metallica for €400,000.

Exploration expenditures incurred are detailed in the table below.

#### a) Berta Property

On September 16, 2019 the Berta Property prospecting license was requested from the Directorate general of Mining with the licensing fees being paid on September 19, 2019. The Company is waiting for the prospecting license to be submitted for public consultation which is expected to lead to the granting of the prospecting license. The property is located in the west of Asturias, Spain, in the council area of Ibias. No exploration expenditures have been incurred to date on the Berta property.

#### c) Sierra Alta Property

On April 20, 2020, the Company signed a binding letter agreement with Emerita Resources Corp. ("Emerita"), pursuant to which Western Metallica may earn a 55% interest in the Sierra Alta Property (the "Sierra Transaction"). A director and officer of Emerita is also a director and officer of the Company.

To earn a 55% interest, Western Metallica must:

1. Pay \$50,000 in cash to the Company (paid during 2020);
2. Issue 500,000 shares of Western Metallica to the Company upon the renewal of the license for the Sierra Alta project;
3. Spend \$500,000 on mineral exploration of the project within 24 months of the signing of the definitive agreement, and;
4. Enter into a binding joint venture agreement with the Company.

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# Western Metallica Corp.

## Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2022 and 2021

Expressed in Canadian Dollars - Unaudited

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### 4. PROJECT EVALUATION EXPENSES (continued)

#### d) Sierra Alta Property (continued)

The Sierra Alta Property is in Asturias in northwestern Spain. Emerita applied for the permit on November 18, 2013 and received notice that the property had been granted on July 8, 2015. The concession was valid for a three-year term and was renewable for equal and successive periods of three years. An application for the permit to be extended was submitted and an extension was granted whereby the permit expires on October 19, 2022 and is renewable for a subsequent three-year period.

#### e) Valledor Property

The Valledor Property is located in the west of Asturias, Spain, in the municipality of Allende. On September 30, 2019, the prospecting license was applied by the Company and was admitted. The public consultation process was completed in 2020 and the Company is currently waiting for the final approval of the prospecting license. No exploration expenditures have been incurred to date on the Valledor property.

#### f) Nueva Celti Property

The Nueva Celti Property is located in the autonomous region of Andalucia, Spain. On January 30, 2019, the application for the Nueva Celti prospecting license was registered with the Seville mining office in the municipality of Penaflor. The Company is waiting for the final approval and issuance of the license. No exploration expenditures have been incurred to date on the Nueva Celti property.

Project evaluation expenses are detailed in the following table:

	For the three months ended	
	March 31,	
	2022	2021
Acquisition expense	\$ 721,288	\$ 18,462
Labour	-	5,415
Technical reports	3,692	4,174
Professional fees	-	7,626
Project overhead costs	8,092	4,468
<b>Total project evaluation expenses</b>	<b>\$ 733,072</b>	<b>\$ 40,145</b>

For the three months ended March 31, 2022 and 2021, all project evaluation expenses were incurred on the Penedela property.

### 5. COMMON SHARES

#### Authorized

As at March 31, 2022, the authorized share capital consisted of an unlimited number of common shares without par value.

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## Western Metallica Corp.

### Notes to the Condensed Interim Consolidated Financial Statements For the three months ended March 31, 2022 and 2021

Expressed in Canadian Dollars - Unaudited

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#### 5. COMMON SHARES (continued)

##### Common Shares Issued

	Number of shares outstanding	Amount
<b>Balance, December 31, 2021 and 2020</b>	<b>9,725,000</b>	<b>\$ 509,786</b>
Acquisition of Asminarq SL	2,000,000	600,000
<b>Balance, March 31, 2022</b>	<b>11,725,000</b>	<b>\$ 1,109,786</b>

In connection with the acquisition of Asminarq (Note 3), the Company issued 2,000,000 shares to Asminarq owners. The shares were valued at \$0.30 based on the Company's most recent financing.

#### 6. EQUITY RESERVES

##### Warrants

As at March 31, 2022, the Company had the following warrants outstanding and exercisable:

	Number of warrants	Weighted average exercise price	Grant date fair value of warrants
<b>Balance, December 31, 2020</b>	<b>1,862,500</b>	<b>\$ 0.30</b>	<b>\$ 208,951</b>
Broker warrants (i)	1,213,870	0.30	182,000
<b>Balance, December 31, 2021</b>	<b>3,076,370</b>	<b>\$ 0.30</b>	<b>\$ 390,951</b>
<b>Balance, March 31, 2022</b>	<b>3,076,370</b>	<b>\$ 0.30</b>	<b>\$ 390,951</b>

- (i) In connection with the subscription receipt financing (Note 11), the Company issued 1,213,870 broker warrants, each exercisable to acquire one common share at a price of \$0.30 for a period of 24 months. The fair value of the broker warrants issued was estimated at \$182,000 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 135% based on volatilities of comparable companies; risk-free interest rate of 1%, share price of \$0.24 based on the pricing of the subscription receipt financing, and an expected life of 2 years.

#### 7. CAPITAL MANAGEMENT

The Company manages and adjusts its capital structure based on available funds in order to support the acquisition, exploration and development of mineral properties. The Board does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company considers its capital to consist of common shares and warrants.

The properties in which the Company currently has an interest are in the exploration and evaluation stage; as such, the Company is dependent on external financing to fund its activities. In order to carry out planned exploration and evaluation and pay for administrative costs, the Company must raise additional amounts.

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## Western Metallica Corp.

### Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2022 and 2021

Expressed in Canadian Dollars - Unaudited

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#### 7. CAPITAL MANAGEMENT (continued)

The Company may continue to assess new properties and may seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no significant changes in the Company's approach to capital management during the three months ended March 31, 2022 and 2021.

The Company and its subsidiary are not subject to any capital requirements imposed by a lending institution or regulatory body.

#### 8. FINANCIAL INSTRUMENTS

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- a) Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- b) Level 2 - Inputs other than quoted prices that are observable for assets or liabilities, either directly or indirectly; and
- c) Level 3 - Inputs for assets and liabilities that are not based on observable market data.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The Company's financial instruments include cash, restricted cash, amounts receivable, other liabilities, and accounts payable and accrued liabilities. The carrying values of these financial instruments reported in the statement of financial position approximate their respective fair values due to the relatively short-term nature of these instruments. As at March 31, 2022 and December 31, 2021, the Company had no instruments to classify in the fair value hierarchy.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

(a) *Credit risk*

Counterparty credit risk is the risk that the financial benefits of contracts with a specific counterparty will be lost if a counterparty defaults on its obligations under the contract. This includes any cash amounts owed to the Company by those counterparties, less any amounts owed to the counterparty by the Company where a legal right of set-off exists and also includes the fair values of contracts with individual counterparties which are recorded in the financial statements.

*Trade credit risk*

The Company is not exposed to significant trade credit risk.

*Cash*

In order to manage credit and liquidity risk the Company's policy is to invest only in highly rated investment grade instruments that have maturities of three months or less. Limits are also established based on the type of investment, the counterparty, and the credit rating.

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# Western Metallica Corp.

## Notes to the Condensed Interim Consolidated Financial Statements For the three months ended March 31, 2022 and 2021

Expressed in Canadian Dollars - Unaudited

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### 8. FINANCIAL INSTRUMENTS (continued)

#### (b) *Currency risk*

Currency risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will fluctuate because of changes in foreign exchange rates. The Company's foreign currency risk arises primarily with respect to the Euro from its property interests in Spain. Fluctuations in the exchange rates between these currencies and the Canadian dollar could have a material effect on the Company's business, financial condition, and results of operations. The Company does not engage in any hedging activity to mitigate this risk.

As at March 31, 2022 and December 31, 2021, the Company had the following financial instruments denominated in foreign currency (expressed in Canadian dollars):

<b>March 31, 2022</b>		
Cash	\$	35,359
Accounts payable and accrued liabilities		(300,124)
	\$	(264,765)

  

<b>December 31, 2021</b>		
Cash	\$	6,704
Accounts payable and accrued liabilities		(321,274)
	\$	(314,570)

A 10% strengthening (weakening) of the Canadian dollar against the Euro would decrease (increase) net loss by approximately \$26,477 (December 31, 2021 - \$31,457).

#### (c) *Liquidity risk*

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2022, the Company had a cash balance of \$466,878 (December 31, 2021 - \$659,280) to settle current liabilities of \$458,906 (December 31, 2021 - \$374,265), excluding other liabilities. See Note 12 regarding restricted cash and other liabilities. The Company's trade payables have contractual maturities of less than 30 days and are subject to normal trade terms.

#### (d) *Commodity / equity price risk*

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company monitors commodity prices, individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company. Commodity price risk is remote as the Company is not a producing entity.

# Western Metallica Corp.

## Notes to the Condensed Interim Consolidated Financial Statements For the three months ended March 31, 2022 and 2021

Expressed in Canadian Dollars - Unaudited

### 9. RELATED PARTY TRANSACTIONS

As at March 31, 2022, accounts payable included an amount of \$90,027 received as an advance from a shareholder, who is also a director and officer of the Company (December 31, 2021 - \$107,019). The amount outstanding is unsecured, non-interest bearing, with no fixed terms of repayment.

As at March 31, 2022, amounts receivable included an amount of \$14,546 owing from a director of the Company (December 31, 2021- \$15,110).

As at March 31, 2022, accounts payable included an amount of \$122,133 owing to an entity with a common director and officer of the Company (December 31, 2021- \$126,876). As at March 31, 2022, amounts receivable included an amount of \$27,765 owing from the same entity (December 31, 2021- \$31,722).

#### *Compensation of key management personnel of the Company*

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company. During the three months ended March 31, 2022 and 2021, the remuneration of directors and other key management personnel was \$nil.

### 10. SEGMENT INFORMATION

The Company conducts its business as a single operating segment, being mineral exploration and evaluation in Spain. The following table summarizes the total assets and liabilities by geographic segment as at March 31, 2022 and December 31, 2021:

<b>March 31, 2022</b>	<b>Spain</b>	<b>Canada</b>	<b>Total</b>
Cash	\$ 35,360	\$ 431,518	\$ 466,878
Restricted cash	-	6,767,939	6,767,939
Amounts receivable	26,892	69,964	96,856
Prepaid expenses	44,301	-	44,301
Prepaid finance expenses	-	808,501	808,501
Reclamation deposit	13,022	-	13,022
<b>Total Assets</b>	<b>\$ 119,575</b>	<b>\$ 8,077,922</b>	<b>\$ 8,197,497</b>

Accounts payable and accrued liabilities	\$ 300,124	\$ 158,782	\$ 458,906
Other liabilities	-	8,000,100	8,000,100
<b>Total liabilities</b>	<b>\$ 300,124</b>	<b>\$ 8,158,882</b>	<b>\$ 8,459,006</b>

<b>December 31, 2021</b>	<b>Spain</b>	<b>Canada</b>	<b>Total</b>
Cash	\$ 6,704	\$ 652,576	\$ 659,280
Restricted cash	-	6,767,939	6,767,939
Amounts receivable	28,896	23,259	52,155
Prepaid expenses	46,021	-	46,021
Prepaid finance expenses	-	742,560	742,560
Reclamation deposit	13,528	-	13,528
<b>Total Assets</b>	<b>\$ 95,149</b>	<b>\$ 8,186,334</b>	<b>\$ 8,281,483</b>

Accounts payable and accrued liabilities	\$ 321,274	\$ 52,991	\$ 374,265
Other liabilities	-	8,000,100	8,000,100
<b>Total liabilities</b>	<b>\$ 321,274</b>	<b>\$ 8,053,091</b>	<b>\$ 8,374,365</b>

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# Western Metallica Corp.

## Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2022 and 2021

Expressed in Canadian Dollars - Unaudited

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### 11. COMMITMENTS AND CONTINGENCIES

#### Environmental

The Company's exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company expects to make expenditures to comply with such laws and regulations.

#### General

The Company may be subject to various claims, lawsuits and other complaints arising in the ordinary course of business. The Company records provisions for losses when claims become probable, and the amounts are estimable.

#### Management Contracts

The Company is party to certain consulting contracts. These contracts contain minimum commitments of approximately \$18,000. As a triggering event has not taken place, the contingent payments have not been reflected in these condensed interim consolidated financial statements.

### 12. SUBSCRIPTION RECEIPTS

On November 23, 2021, Western Metallica closed a brokered private placement (the "Offering") of subscription receipts ("Subscription Receipts") by issuing 26,667,000 Subscription Receipts at a price of \$0.30 each, for gross proceeds of \$8,000,100.

The gross proceeds from the sale of the Subscription Receipts, less the Agents' commission and expenses and an initial advance to Western Metallica of \$750,000 paid at the closing of the Offering are being held in escrow by Endeavor Trust Corporation ("Endeavor") in accordance with a subscription receipt agreement dated November 23, 2021 among Western Metallica, Endeavor and Clarus Securities Inc. and will be released to the Company upon satisfaction and/or waiver of certain escrow release conditions (the "Escrow Release Conditions"), including completion of all conditions precedent to the Transaction. If the Escrow Release Conditions are satisfied or waived on or before April 23, 2022, the escrowed proceeds from the Offering will be released to Western Metallica. If the Escrow Release Conditions are not satisfied or waived by that date or the Transaction is terminated prior thereto, the gross proceeds and *pro rata* entitlement to interest earned on the escrowed proceeds will be paid to the holders of the Subscription Receipts.

Upon satisfaction of the Escrow Release Conditions, each Subscription Receipt will be automatically exchanged, without any further action by its holder, and for no additional consideration, for one common share of Western Metallica Resources Corp. (a "WMR Share") and one-half-of-one share purchase warrant of Western Metallica Resources Corp. (a "WMR Warrant"). Each whole WMR Warrant entitles the holder to acquire one WMR Share at a price of \$0.45 for a period of 2 years.

A total of 1,213,870 broker warrants, each exercisable to acquire one common share at a price of \$0.30 for a period of 24 months, were issued in connection with the Offering. The fair value of the broker warrants issued was estimated at \$182,000 using the Black-Scholes option pricing model. See Note 5(i) for the assumptions used in the model.



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## **Western Metallica Corp.**

### **Notes to the Condensed Interim Consolidated Financial Statements**

**For the three months ended March 31, 2022 and 2021**

*Expressed in Canadian Dollars - Unaudited*

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#### **12. SUBSCRIPTION RECEIPTS (continued)**

As at March 31, 2022, the Company has restricted cash of \$6,767,939, representing proceeds from the Offering held in escrow, \$8,000,100 presented as subscription receipts within liabilities, and prepaid finance expense of \$808,501 (December 31, 2021 - \$742,560), of which \$626,501 was paid for in cash and \$182,000 for the value of the broker warrants issued.

On April 13, 2022, the escrow conditions were satisfied, and funds held in escrow were released to the Company. See Note 13.

#### **13. SUBSEQUENT EVENTS**

##### **Proposed Transaction**

Western Metallica and Orcus Resources Ltd. ("Orcus") entered into an amalgamation agreement (the "Amalgamation Agreement") dated December 23, 2021 (the "Transaction"). The Transaction constitutes Orcus's Qualifying Transaction under the Capital Pool Companies policy (the "CPC Policy") of the TSX Venture Exchange (the "Exchange"). Following the completion of the Transaction, Orcus will continue on the business of Western Metallica under the name "Western Metallica Resources Corp." (the "Resulting Issuer"). For financial reporting purposes, the Transaction will be presented as a reverse acquisition of Orcus by Western Metallica.

Under the Amalgamation Agreement, each holder of common shares of Western Metallica ("Western Metallica Shares") will receive one common share of the Resulting Issuer for each Western Metallica Share held. All outstanding convertible securities of Western Metallica immediately prior to closing of the amalgamation, including warrants of Western Metallica, will be exchanged or replaced with convertible securities of the Resulting Issuer.

The Transaction was completed on April 13, 2022. In connection with the completion of the Transaction, the Company's common shares have been listed and admitted to trading on the TSX Venture Exchange (the "TSXV") as of April 19, 2022, with trading to commence as of the open on April 19, 2022, under the symbol "WMS".

##### **Stock Options Grant**

On May 24, 2022, the Company granted a total of 4,250,000 stock options to various directors, officers, employees and consultants of the Company, pursuant to its stock option plan. The options may be exercised at a price of \$0.20 per option for a period of five years from the date of grant. The grant date fair value of the options issued was estimated at \$626,000 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; share price of \$0.18; expected volatility of 118.6% (based on the volatility of comparative companies); risk-free interest rate of 2.64%, and an expected life of 5 years.