



Western Metallica Resources Corp.

Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2023 and 2022

**(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 Resources Corp.
Condensed Interim Consolidated Statements of Financial Position
Expressed in Canadian Dollars

As at:	Note	March 31, 2023 (Unaudited) \$	December 31, 2022 (Audited) \$
ASSETS			
Current			
Cash and cash equivalents	3	4,524,950	1,172,622
Short-term investments	4	-	4,000,000
Amounts receivable	10	188,222	261,441
Prepaid expenses		38,907	27,504
Total current assets		4,752,079	5,461,567
Long-term			
Reclamation deposit		70,128	68,936
Total assets		4,822,207	5,530,503
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	10,11	52,274	315,026
Total liabilities		52,274	315,026
SHAREHOLDERS' EQUITY			
Common shares	7	8,120,480	8,120,480
Warrant reserve	8	2,207,346	2,207,346
Option reserve	8	626,132	622,452
Deficit		(6,184,025)	(5,734,801)
Total shareholders' equity		4,769,933	5,215,477
Total liabilities and shareholders' equity		4,822,207	5,530,503
Nature of operations and going concern	1		
Commitments and contingencies	6,13		

These condensed interim consolidated financial statements were authorized for issue by the Board of Directors on May 26, 2023.

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.

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

		Three months ended March 31,	
	Note	2023	2022
		\$	\$
Expenses			
Project evaluation expenses	5,6	270,341	602,204
Salaries and benefits	11	86,596	8,903
Consulting and management fees	11	79,964	21,000
Professional fees		35,240	10,875
Share-based compensation	8	3,680	-
Office and general		34,816	3,923
(Loss) for the period before other items		(510,637)	(646,905)
Other items			
Interest income		39,836	-
Foreign exchange gain		21,577	8,278
Net loss and comprehensive loss		(449,224)	(638,627)
Basic and diluted (loss) per share		\$ (0.01)	\$ (0.01)
Weighted average number of common shares outstanding			
Basic and Diluted		51,728,630	46,437,833

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

Western Metallica Resources Corp.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficiency)

Expressed in Canadian Dollars - unaudited

	Number of shares #	Common Shares \$	Number of warrants #	Warrant Reserve \$	Number of options #	Option Reserve \$	Deficit \$	Shareholders' equity \$
Balance, January 1, 2023	51,728,630	8,120,480	17,877,576	2,207,346	4,580,000	622,452	(5,734,801)	5,215,477
Share-based compensation	-	-	-	-	-	3,680	-	3,680
Loss and comprehensive loss for the period	-	-	-	-	-	-	(449,224)	(449,224)
Balance, March 31, 2023	51,728,630	8,120,480	17,877,576	2,207,346	4,580,000	626,132	(6,184,025)	4,769,933

	Number of shares #	Common Shares \$	Number of warrants #	Warrant Reserve \$	Number of options #	Option Reserve \$	Deficit \$	Shareholders' (deficiency) \$
Balance, January 1, 2022	9,725,000	509,786	3,076,370	390,951	-	-	(993,619)	(92,882)
Acquisition of Asminarq SL	2,000,000	470,000	-	-	-	-	-	470,000
Loss and comprehensive loss for the period	-	-	-	-	-	-	(638,627)	(638,627)
Balance, March 31, 2022	11,725,000	979,786	3,076,370	390,951	-	-	(1,632,246)	(261,509)

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

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

		Three months ended March 31,	
	Note	2023	2022
		\$	\$
Cash (used in)/provided by:			
Operating activities			
(Loss) for the year		(449,224)	(638,627)
Items not involving cash:			
Acquisition of Asminarq SL	5,7	-	470,000
Share-based compensation	8	3,680	-
Foreign exchange		-	506
Changes in non cash working capital		(202,128)	41,660
Net cash (used in) operating activities		(647,672)	(126,461)
Investing activities			
Short-term investment	4	4,000,000	-
Net cash provided by investing activities		4,000,000	-
Financing activities			
Subscription receipt issuance costs	7	-	(65,941)
Net cash (used) by financing activities		-	(65,941)
Change in cash		3,352,328	(192,402)
Cash, beginning of period		1,172,622	659,280
Cash, end of period		4,524,950	466,878

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

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Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2023 and 2022

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1. NATURE OF OPERATIONS AND GOING CONCERN

Western Metallica Resources Corp. (the "Company", or "Western Metallica") was incorporated on September 28, 2020 as a Province of British Columbia registered corporation pursuant to the *Business Corporations Act of British Columbia*. The Company commenced trading as a Tier 2 Mining Issuer on the TSX Venture Exchange ("TSXV") on April 19, 2022 under the new trading symbol "WMS".

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 Company owns the following subsidiaries:

- A 100% interest in Western Metallica Corp., a company incorporated on September 18, 2018 as a Province of Ontario registered corporation pursuant to the *Business Corporations Act of Ontario*. Western Metallica Corp. owns 100% of Western Metallica Espana, a company incorporated on May 18, 2016 in Spain, which in turn owns 100% of Asminaq S.L. ("Asminarq"), a company incorporated on February 12, 2013 in Spain.

On April 13, 2022, the Company closed its previously announced reverse takeover transaction (the "Transaction") with Western Metallica Corp. (the "Target"). The Transaction was completed by way of a "three-cornered" amalgamation pursuant to the provisions of the *Business Corporations Act (Ontario)*. Prior to the completion of the Transaction, the Company changed its name from "Orcus Resources Ltd." to "Western Metallica Resources Corp." (the "Name Change") and the Target completed a share split on a 1:1.5732646 basis (the "Share Split"). Pursuant to the Transaction, all common shares of the Company were exchanged on a one-for-one basis for common shares of Western Metallica and Western Metallica Corp. and 1000055944 Ontario Inc., a wholly owned subsidiary of the Company newly incorporated under the *Business Corporations Act (Ontario)* for the sole purpose of effecting the Transaction, amalgamated with the resulting entity continuing as a wholly owned subsidiary of the Company under the name "Western Metallica Holdings Corp." See Note 7(iv). These financial statements present the continuation of the Target and the acquisition of Orcus Resources Ltd. by Western Metallica Corp. as a reverse acquisition for accounting purposes.

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, 2023, the Company had working capital of \$4,699,805 (December 31, 2022 - \$5,146,541) and an accumulated deficit of \$6,184,025 (December 31, 2022 - \$5,734,801). 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.

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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.

Approval of the consolidated financial statements

These unaudited condensed interim consolidated financial statements of the Company for the three months ended March 31, 2023 and 2022 were reviewed, approved and authorized for issue by the Board of Directors of the Company on May 26, 2023.

2. BASIS OF PRESENTATION

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") which the Canadian Accounting Standards Board has approved for incorporation into Part 1 of the Handbook of Chartered Professional Accountants of Canada applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34, Interim Financial Reporting. These condensed interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual financial statements as at and for the year ended December 31, 2022. In particular, the Company's significant accounting policies were summarized in Note 3 of the financial statements for the year ended December 31, 2022, and have been consistently applied in the preparation of these condensed interim consolidated financial statements. These unaudited condensed interim consolidated financial statements were prepared on a going concern basis.

3. CASH AND CASH EQUIVALENTS

	March 31, 2023	December 31, 2022
	\$	\$
Cash	1,274,950	1,172,622
Guaranteed investment certificate ("GIC"), bearing interest rate of prime -2.25%, redeemable anytime, and maturing January 18, 2024	750,000	-
Guaranteed investment certificate ("GIC"), bearing interest rate of prime -2.00%, redeemable anytime, and maturing March 29, 2024	2,500,000	-
Cash and cash equivalents	4,524,950	1,172,622

4. SHORT TERM INVESTMENTS

	March 31, 2023	December 31, 2022
	\$	\$
Guaranteed investment certificate ("GIC"), bearing interest rate of 4.00%, and maturing January 11, 2023	-	4,000,000
	-	4,000,000

5. ACQUISITION OF ASMINARQ SL

On February 14, 2022, the Company completed its acquisition of Asminarq SL ("Asminarq"). At the acquisition date, Asminarq held the mining rights to the Penedela Property (Note 6). 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

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allocation of the estimated fair values of identifiable assets acquired and liabilities assumed, and price consideration are as follows:

	2023	2022
Consideration paid:		
Issuance of 2,000,000 common shares	\$ -	\$ 470,000
Cash payment (EUR105,000)	-	128,090
	<u>\$ -</u>	<u>\$ 598,090</u>
Purchase price allocation:		
Project acquisition expense	\$ -	\$ 598,090

The value of 2,000,000 shares issued was the estimated fair value based on the subscription receipt financing price completed by the Company prior to acquisition at \$0.235 per share.

6. 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 €105,000 (\$147,420) upon signature of the Purchase Agreement, including €5,000 to extend the agreement (€13,000 (\$19,330) paid in 2021 and €92,000 (\$128,090) 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) (Note 7(ii));
- 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 at any time.

Exploration expenditures incurred are detailed in the table below.

b) 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.

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c) Sierra Alta Property

On May 4, 2020, the Company entered into an option agreement (the "Option Agreement") with Emerita Resources Corp. ("Emerita"), pursuant to which Western Metallica held an option to acquire 55% of the Sierra Alta Gold Project (the "Sierra Alta Project").

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.

The Sierra Alta Project is in the "Navelgas Gold Belt" in Asturias, 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, 2023 and can be renewed upon expiration date.

On June 30, 2022, Western Metallica entered into an amendment (the "Extension") to the Option Agreement with Emerita, superseding the above-mentioned agreement whereby Western Metallica held an option to acquire 55% of the Sierra Alta Project pursuant to the following terms:

1. Issue 786,632 common shares of the Company to Emerita (issued on September 30, 2022. See Note 7(i)); and
2. Spend at least \$500,000 in mineral exploration expenditures on the Sierra Alta Project prior to December 31, 2022 (all expenditures incurred prior to December 31, 2022).

On December 21, 2022, the Company acquired 55% of the Sierra Alta Property by fulfilling the terms of the Option Agreement.

The acquisition of the interest is a non-arm's length transaction as the CEO of the Company acts as the CFO of Emerita and a director of the Company is a director of Emerita.

d) 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.

e) 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.

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Project evaluation expenses are detailed in the following table:

For the three months ended March 31, 2023	Penedela	Sierra Alta	Nueva Celti	Total
Acquisition expense	\$ -	\$ -	\$ -	\$ -
Drilling	40,961	15,404	11,876	68,241
Labour	40,895	14,224	49,625	104,745
Technical	31,665	11,014	38,425	81,104
Project overhead costs	8,374	1,663	6,213	16,250
Total project evaluation expenses	\$ 121,896	\$ 42,305	\$ 106,140	\$ 270,341

For the three months ended March 31, 2022	Penedela	Sierra Alta	Nueva Celti	Total
Acquisition expense	\$ 598,090	\$ -	\$ -	\$ 598,090
Technical	3,692	-	-	3,692
Project overhead costs	422	-	-	422
Total project evaluation expenses	\$ 602,204	\$ -	\$ -	\$ 602,204

7. COMMON SHARES

In connection with the Transaction, on April 13, 2022, the Company completed a share split on a 1 for 1.5732646 basis. All share and per share amounts have been updated in these consolidated financial statements to reflect the share split.

Authorized

As at March 31, 2023, the authorized share capital consisted of an unlimited number of common shares without par value.

Common Shares Issued

	Number of shares outstanding	Amount
Balance, January 1, 2022	15,299,998	\$ 509,786
Acquisition of Asminarq SL (ii)	2,000,000	470,000
Reverse takeover transaction (Note 1 and (iv))	6,500,000	1,527,500
Subscription receipts (iii)	26,667,000	8,000,100
Sierra Alta option extension (i)	786,632	141,594
Warrant valuations (iii)	-	(1,733,355)
Broker warrant valuations (iii)	-	(182,000)
Share issue costs	-	(759,938)
Exercise of options (v)	475,000	37,000
Valuation allocation of exercise of options	-	109,793
Balance, December 31, 2022	51,728,630	\$ 8,120,480
Balance, March 31, 2023	51,728,630	\$ 8,120,480

- (i) On September 22, 2022, the Company issued 786,632 shares to Emerita Resources as part of the Sierra Alta option agreement (Note 6(c)). The shares were valued based on the quoted market price.
- (ii) In connection with the acquisition of Asminarq (Note 5), the Company issued 2,000,000 post-share split Western Metallica common shares to Asminarq owners (1,271,242 pre-share split Western Metallica common shares). The shares were valued at \$470,000, based on the price of the subscription receipts (Note 7(iii)).

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- (iii) On November 23, 2021, the Company closed a brokered private placement of subscription receipts ("Subscription Receipts") by issuing 26,667,000 Subscription Receipts at a price of \$0.30 each, for gross proceeds to the Company of \$8,000,100. Management and directors subscribed to 767,500 units of the offering for proceeds of \$230,250.

Immediately prior to the closing of the reverse takeover transaction (Note 1), each Subscription Receipt was converted into one common share of the Company and one-half of one share purchase warrant of the Company. Each whole warrant entitles the holder to acquire one Western Metallica common share at a price of \$0.45 for a period of 24 months. The value of the warrants was estimated to be \$1,733,355 based on a proration of the unit proceeds between common shares based on their estimated relative fair value. The fair value of the warrants was estimated using a Black-Scholes model and the following assumptions: expected dividend yield of 0%, expected volatility of 135% based on the volatility of entities in the same industry, risk free interest rate of 1%, share price of \$0.235 based on the pricing of the subscription receipts, and an expected life 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 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 \$0.235 based on the pricing of the subscription receipts, and an expected life of 2 years.

- (iv) In connection with the Transaction, the Company issued 6,500,000 common shares to acquire Orcus. The value of the shares was based on the price of the subscription receipts (Note 7(iii)). As part of the acquisition, the Company acquired working capital of \$219,624. Transaction costs, being the excess of the value of the shares issued over net assets, were \$1,514,931.

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 Common Shares (6,500,000 @ \$0.235)	\$	1,527,500
Issuance of Warrants (400,000 @ \$0.2076) (Note 8)		83,040
Issuance of Options (210,000 @ \$0.2317) (Note 8)		48,657
Issuance of Options (265,000 @ \$0.2307) (Note 8)		61,136
Issuance of Options (130,000 @ \$0.1094) (Note 8)		14,222
	\$	<u>1,734,555</u>

Purchase price allocation:

Cash	\$	245,280
Accounts receivable		8,963
Accounts payable		(34,619)
Transaction costs		1,514,931
	\$	<u>1,734,555</u>

- (v) During the year ended December 31, 2022, 475,000 of the Company's stock options were exercised at a weighted-average price of \$0.08 per common share, generating proceeds of \$37,000. Directors of the Company exercised 270,000 options at a weighted-average price of \$0.07, generating proceeds of \$20,000.

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8. EQUITY RESERVES

In connection with the Transaction, on April 13, 2022, the Company completed a share split on a 1 for 1.5732646 basis. All warrant/option and per warrant/option amounts have been updated in these consolidated financial statements to reflect the share split.

Warrants

The changes in warrants issued during the three months ended March 31, 2023, and year ended December 31, 2022, are as follows:

	Number of warrants	Weighted average exercise price	Value of warrants vested
Balance, January 1, 2022	4,144,076	\$ 0.22	\$ 390,951
Exchanged, April 2022 - Reverse takeover transaction	400,000	0.10	83,040
Granted, April 2022 - Subscription receipts	13,333,500	0.45	1,733,355
Balance, December 31, 2022	17,877,576	\$ 0.39	\$ 2,207,346
Balance, March 31, 2023	17,877,576	\$ 0.39	\$ 2,207,346

The following table summarizes the warrants outstanding as of March 31, 2023:

Number of warrants outstanding	Number of warrants exercisable	Grant date	Expiry date	Exercise price	Share price	Estimated fair value at grant date	Volatility	Risk-free interest rate	Expected life	Expected dividend yield
#	#			\$	\$	\$			Years	
2,930,206	2,930,206	24-Oct-19	19-Apr-24	0.19	0.09	208,951	135%	1.00%	4.49	0%
13,333,500	13,333,500	23-Nov-21	23-Nov-23	0.45	0.24	1,733,355	135%	1.00%	2.00	0%
1,213,870	1,213,870	23-Nov-21	23-Nov-23	0.30	0.24	182,000	135%	1.00%	2.00	0%
400,000	400,000	12-Apr-22	5-Oct-26	0.10	0.24	83,040	122%	2.52%	4.48	0%
17,877,576	17,877,576					2,207,346				

The weighted-average remaining contractual life of the warrants as of March 31, 2023, is 0.78 years (December 31, 2022 – 1.03 years).

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Share-based payments

The changes in stock options issued during the three months ended March 31, 2023, and year ended December 31, 2022, are as follows:

	Number of options	Weighted average exercise price	Value of options vested
Balance, January 1, 2022	-	\$ -	\$ -
Exchanged, April 2022 - Reverse takeover transaction	210,000	0.05	48,657
Exchanged, April 2022 - Reverse takeover transaction	265,000	0.10	61,136
Exchanged, April 2022 - Reverse takeover transaction	130,000	0.30	14,222
Exercised, April 2022	(210,000)	0.05	(48,657)
Exercised, April 2022	(265,000)	0.10	(61,136)
Granted, May 2022	4,250,000	0.20	621,920
Granted, October 2022	500,000	0.20	34,150
Expired, December 2022	(300,000)	0.20	(44,160)
Balance, December 31, 2022	4,580,000	\$ 0.20	\$ 626,132
Balance, March 31, 2023	4,580,000	\$ 0.20	\$ 626,132

On April 13, 2022, the Company exchanged 210,000 Orcus stock options into 210,000 Western Metallica stock options pursuant to the Transaction. The options vested immediately and may be exercised at a price of \$0.05 per option until May 7, 2031. The fair value of the stock options issued was estimated at \$48,657 using the Black-Scholes pricing model with the following assumptions: expected dividend yield of 0%, share price of \$0.235, expected volatility of 139% based on volatilities of comparable companies, risk-free rate of 2.64% and expected average life of 9.07 years. Directors were granted 140,000 options with a fair value of \$32,438.

On April 13, 2022, the Company exchanged 265,000 Orcus stock options into 265,000 Western Metallica stock options pursuant to the Transaction. The options vested immediately and may be exercised at a price of \$0.10 per option until October 5, 2031. The fair value of the stock options issued was estimated at \$61,136 using the Black-Scholes pricing model with the following assumptions: expected dividend yield of 0%, share price of \$0.235, expected volatility of 139% based on volatilities of comparable companies, risk-free rate of 2.64% and expected average life of 9.48 years. Directors were granted 130,000 options with a fair value of \$29,991.

On April 13, 2022, the Company exchanged 130,000 Orcus stock options into 130,000 Western Metallica stock options pursuant to the Transaction. The options vested immediately and may be exercised at a price of \$0.30 per option until October 20, 2023. The fair value of the stock options issued was estimated at \$14,222 using the Black-Scholes pricing model with the following assumptions: expected dividend yield of 0%, share price of \$0.235, expected volatility of 114% based on volatilities of comparable companies, risk-free rate of 2.34% and expected average life of 1.52 year.

On May 25, 2022, the Company granted a total of 4,150,000 stock options to directors, management, and consultants of the Company pursuant to its stock option plan. The options vested immediately and may be exercised at a price of \$0.20 per option until May 5, 2027. The fair value of the stock options issued was estimated at \$610,880 using the Black-Scholes pricing model with the following assumptions: expected dividend yield of 0%, share price of \$0.18, expected volatility of 119% based on volatilities of comparable companies, risk-free rate of 2.60% and expected average life of 5 years. Directors and officers were granted 2,900,000 options with a fair value of \$426,880.

On May 25, 2022, the Company granted a total of 100,000 stock options to a consultant of the Company pursuant to its stock option plan. The options vest in equal tranches every three months over a period of twelve months and may be exercised at a price of \$0.20 per option until May 5, 2027. The fair value of the stock

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options issued was estimated at \$14,720 using the Black-Scholes pricing model with the following assumptions: expected dividend yield of 0%, share price of \$0.18, expected volatility of 119% based on volatilities of comparable companies, risk-free rate of 2.60% and expected average life of 5 years.

On October 20, 2022, the Company granted a total of 500,000 stock options to a director and officer of the Company pursuant to its stock option plan. The options vested immediately and may be exercised at a price of \$0.20 per option until October 20, 2027. The fair value of the stock options issued was estimated at \$34,150 using the Black-Scholes pricing model with the following assumptions: expected dividend yield of 0%, share price of \$0.09, expected volatility of 120% based on volatilities of comparable companies, risk-free rate of 3.84% and expected average life of 5 years.

On April 26, 2022, 475,000 of the Company's options were exercised at a weighted-average exercise price of \$0.08 generating proceeds of \$37,000. Directors of the Company exercised 270,000 options, generating proceeds of \$20,000.

On December 22, 2022, 300,000 of the Company's options granted May 25, 2022 expired unexercised.

As at March 31, 2023, \$3,680 (March 31, 2022 - \$nil) in share-based compensation has been recognized in the condensed interim consolidated statements of loss.

Options outstanding as of March 31, 2023 are as follows:

Number of options outstanding	Number of options exercisable	Grant date	Expiry date	Exercise price	Share price	Estimated fair value at grant date	Volatility	Risk-free interest rate	Expected life	Expected dividend yield
#	#			\$	\$	\$			Years	
130,000	130,000	12-Apr-22	20-Oct-23	0.30	0.24	14,222	114%	2.34%	1.52	0%
3,950,000	3,925,000	25-May-22	25-May-27	0.20	0.18	581,440	119%	2.60%	5.00	0%
500,000	500,000	20-Oct-22	20-Oct-27	0.20	0.09	34,150	120%	3.84%	5.00	0%
4,580,000	4,555,000					629,812				

The weighted-average remaining contractual life of the options as of March 31, 2023, is 4.09 years (December 31, 2022 – 4.34 years).

9. 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, warrants and options.

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.

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

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approach to capital management during the three months ended March 31, 2023, and year ended December 31, 2022.

The Company and its subsidiaries are not subject to any capital requirements imposed by a lending institution or regulatory body, other than the TSX Venture Exchange ("TSXV") which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required to maintain operations and cover general and administrative expenses for a period of 6 months.

10. 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 and cash equivalents, short-term investments, amounts receivable, 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, 2023, the Company's financial instruments that are carried at fair value, being cash equivalents and short-term investments are classified as Level 2 within 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 and cash equivalents and short-term investments

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

(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, and US dollars from operations. Fluctuations in the exchange rates between these currencies and the Canadian dollar could

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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, 2023 and December 31, 2022, the Company had the following financial instruments denominated in foreign currency (expressed in Canadian dollars):

March 31, 2023			
		Euros	US Dollars
Cash	\$	793,436	\$ 27,496
Amounts receivable		169,382	-
Accounts payable and accrued liabilities		(25,473)	-
	\$	937,345	\$ 27,496

December 31, 2022			
Cash	\$	520,636	\$ 67,520
Amounts receivable		174,248	-
Accounts payable and accrued liabilities		(209,370)	(10,000)
	\$	485,514	\$ 57,520

A 10% strengthening (weakening) of the Canadian dollar against the Euro would decrease (increase) net loss by approximately \$93,700 (December 31, 2022 - (\$48,600)).

A 10% strengthening (weakening) of the Canadian dollar against the US dollar would decrease (increase) net loss by approximately \$2,700 (December 31, 2021 - \$5,800).

(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, 2023, the Company had a cash balance of \$4,524,950 (December 31, 2022 - \$1,172,622) to settle current liabilities of \$52,274 (December 31, 2022 - \$315,026, excluding 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.

11. RELATED PARTY TRANSACTIONS

As at March 31, 2023, an amount of \$7,354, included in accounts payable and accrued liabilities, was owed to directors and officers of the Company (December 31, 2022 - \$27,650). The amounts outstanding on fees are unsecured, non-interest bearing, with no fixed terms or repayment.

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As at March 31, 2023, amounts receivable included an amount of \$8,089 owing from a director of the Company (December 31, 2022- \$7,952).

As at March 31, 2023, accounts payable included an amount of \$nil owing to an entity with a common director and officer of the Company (December 31, 2022- \$127,467). As at March 31, 2023, amounts receivable included an amount of \$nil owing from the same entity (December 31, 2022- \$36,207).

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, 2023 and 2022, the remuneration of directors and other key management personnel is as follows:

	Three months ended March 31,	
	2023	2022
Salaries and benefits	\$ 80,447	\$ -
Consulting fees	78,571	-
Total	\$ 159,018	\$ -

See also Notes 6, 7 and 8

12. 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, 2023 and December 31, 2022:

March 31, 2023	Spain	Canada	Total
Cash	\$ 793,436	\$ 3,731,514	\$ 4,524,950
Amounts receivable	169,382	18,840	188,222
Prepaid expenses	37,223	1,684	38,907
Reclamation deposit	70,128	-	70,128
Total Assets	\$ 1,070,169	\$ 3,752,038	\$ 4,822,207

Accounts payable and accrued liabilities	\$ 25,473	\$ 26,801	\$ 52,274
Total liabilities	\$ 25,473	\$ 26,801	\$ 52,274

December 31, 2022	Spain	Canada	Total
Cash	\$ 520,636	\$ 651,986	\$ 1,172,622
Restricted cash	-	4,000,000	4,000,000
Amounts receivable	174,248	87,193	261,441
Prepaid expenses	20,844	6,660	27,504
Reclamation deposit	68,936	-	68,936
Total Assets	\$ 784,664	\$ 4,745,839	\$ 5,530,503

Accounts payable and accrued liabilities	\$ 211,592	\$ 103,434	\$ 315,026
Total liabilities	\$ 211,592	\$ 103,434	\$ 315,026

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The following table summarizes the loss by geographic segment for the three months ended March 31, 2023 and 2022:

March 31, 2023	Spain	Canada	Total
Project evaluation expenses	\$ 270,341	\$ -	\$ 270,341
General and administrative expenses	-	240,296	240,296
Other income	-	(39,836)	(39,836)
Foreign exchange (gain) loss	(21,715)	138	(21,577)
Loss	\$ 248,626	\$ 200,598	\$ 449,224

March 31, 2022	Spain	Canada	Total
Project evaluation expenses	602,204	-	602,204
General and administrative expenses	-	44,701	44,701
Foreign exchange (gain)	(8,278)	-	(8,278)
Loss	\$ 593,926	\$ 44,701	\$ 638,627

13. 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 employment and consulting contracts. These contracts contain minimum commitments of approximately \$360,000 with regards to termination pay and additional contingent payments of up to approximately \$870,000 upon the occurrence of a change of control. As a triggering event has not taken place, the contingent payments have not been reflected in these consolidated financial statements.

Other

See Note 6.