WESTERN METALLICA CORP.

Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

McGovern Hurley

Audit. Tax. Advisory.

Independent Auditor's Report

To the Shareholders of Western Metallica Corp.

Opinion

We have audited the consolidated financial statements of Western Metallica Corp. and its subsidiary (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in shareholders' (deficiency) and the consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2021 and 2020 and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

McGovern Hurley LLP

McGovern Hurley LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
May 2, 2022

Western Metallica Corp.
Consolidated Statements of Financial Position
Expressed in Canadian Dollars

As at:	Note	**December 31, 2021 $**	December 31, 2020 $
ASSETS			
Current			
Cash		**659,280**	18,650
Restricted cash	13	**6,767,939**	-
Amounts receivable		**52,155**	38,643
Prepaid expenses		**46,021**	20,446
Prepaid finance expenses	13	**742,560**	-
Total current assets		**8,267,955**	77,739
Long-term			
Reclamation deposit		**13,528**	7,648
Total assets		**8,281,483**	85,387
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	8,9	**374,265**	149,789
Other liabilities	13	**8,000,100**	-
Total liabilities		**8,374,365**	149,789
SHAREHOLDERS' (DEFICIENCY)			
Common shares	5	**509,786**	509,786
Warrant reserve	6	**390,951**	208,951
Deficit		**(993,619)**	(783,139)
Total shareholders' (deficiency)		**(92,882)**	(64,402)
Total liabilities and shareholders' (deficiency)		**8,281,483**	85,387

Nature of operations and going concern	1
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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 consolidated financial statements.

Western Metallica Corp.
Consolidated Statements of Loss and Comprehensive Loss
For the years ended:
Expressed in Canadian Dollars

	Note	December 31, 2021 $	December 31, 2020 $
Expenses			
Project evaluation expenses	4	**78,497**	583,199
Office and general		**135,830**	9,721
(Loss) for the period before other items		**(214,327)**	(592,920)
Other items			
Interest income		-	13,114
Foreign exchange gain/(loss)		**3,847**	(3,694)
Net loss and comprehensive loss		**(210,480)**	(583,500)
Basic and diluted (loss) per share		**$ (0.02)**	$ (0.06)
Weighted average number of common shares outstanding			
Basic and Diluted		**9,725,000**	9,725,000

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

Western Metallica Corp.
Consolidated Statements of Changes in Shareholders' Deficiency
Expressed in Canadian Dollars

	Number of shares	Common Shares	Number of warrants	Warrant Reserve	Deficit	Shareholders' (deficiency)
	#	$	#	$	$	$
Balance, December 31, 2019	**9,725,000**	**509,786**	**1,862,500**	**208,951**	**(199,639)**	**519,098**
Loss and comprehensive loss	-	-	-	-	(583,500)	(583,500)
Balance, December 31, 2020	**9,725,000**	**509,786**	**1,862,500**	**208,951**	**(783,139)**	**(64,402)**
Broker warrants	-	-	1,213,870	182,000	-	182,000
Loss and comprehensive loss	-	-	-	-	(210,480)	(210,480)
Balance, December 31, 2021	**9,725,000**	**509,786**	**3,076,370**	**390,951**	**(993,619)**	**(92,882)**

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

Western Metallica Corp.
Consolidated Statements of Cash Flows
For the years ended:
Expressed in Canadian Dollars

	Note	December 31, 2021 $	December 31, 2020 $
Cash (used in)/provided by:			
Operating activities			
(Loss) for the year		**(210,480)**	(583,500)
Items not involving cash:			
Foreign exchange		**596**	(478)
Changes in non cash working capital		**185,389**	(73,317)
Net cash (used in) operating activities		**(24,495)**	(657,295)
Investing activities			
Increase in restricted cash	13	**(6,767,939)**	-
Reclamation deposit		**(6,476)**	-
Net cash (used in) investing activities		**(6,774,415)**	-
Financing activities			
Proceeds from subscription receipt issuance	13	**8,000,100**	-
Subscription receipt issuance costs	13	**(560,560)**	-
Net cash provided by financing activities		**7,439,540**	-
Change in cash		**640,630**	(657,295)
Cash, beginning of year		**18,650**	675,945
Cash, end of year		**659,280**	18,650

SUPPLEMENTAL INFORMATION

	Note	December 31, 2021	December 31, 2020
Broker warrants issued	13	**182,000**	-

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

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.

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 December 31, 2021, the Company completed the escrow conditions related to the subscription receipt financing (Note 13) and completed a reverse acquisition to become a reporting issuer (Note 14).

These 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.

<u>Novel Coronavirus (“COVID-19”)</u>

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 year ended December 31, 2021.

2. BASIS OF PRESENTATION

Statement of compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and include interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The policies set out were consistently applied to all the periods presented unless otherwise noted below.

Basis of presentation

These 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.

Foreign Currency

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiary.

Subsidiaries

Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Generally, the Company has a shareholding of more than one half of the voting rights in its subsidiaries. The effects of potential voting rights that are currently exercisable are considered when assessing whether control exists. Subsidiaries are fully consolidated from the date control is transferred to the Company and are de-consolidated from the date control ceases. The financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

These 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 consolidated financial statements of the Company for the years ended December 31, 2021 and 2020 were reviewed, approved and authorized for issue by the Board of Directors of the Company on May 2, 2022.

3. SIGNIFICANT ACCOUNTING POLICIES

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.

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.

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.

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 12.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and restricted cash

Cash and restricted cash consist of highly liquid investments, such as guaranteed investment certificates and deposit accounts with chartered banks, trust accounts held with lawyers, cashable within three months of the date of original issue.

Financial Assets and Liabilities

Initial recognition and measurement

Non-derivative financial assets within the scope of IFRS 9 are classified and measured as “financial assets at fair value”, as either fair value through profit or loss (“FVPL”) or fair value through other comprehensive income (“FVOCI”), and “financial assets at amortized costs”, as appropriate. The Company determines the classification of financial assets at the time of initial recognition based on the Company’s business model and the contractual terms of the cash flows.

All financial assets are recognized initially at fair value plus, in the case of financial assets not at FVPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Subsequent measurement- financial assets at amortized cost

After initial recognition, financial assets measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate (“EIR”) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in the statements of loss. The Company’s cash, restricted cash and amounts receivable are recorded at amortized cost.

Subsequent measurement – financial assets at FVPL

Financial assets measured at FVPL include financial assets management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVPL are carried at fair value in the statements of financial position with changes in fair value recognized in other income or expense in the statements of loss. The Company does not measure any financial assets at FVPL.

Subsequent measurement – financial assets at FVOCI

Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI. The Company does not measure any financial assets at FVOCI.

After initial measurement, investments measured at FVOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income or loss in the statements of comprehensive loss. When the investment is sold, the cumulative gain or loss is not reclassified to profit or loss.

Dividends from such investments are recognized in other income in the statements of loss when the right to receive payments is established.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Assets and Liabilities (continued)

Derecognition

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company no longer retains substantially all the risks and rewards of ownership.

Impairment of financial assets

The Company's only financial assets subject to impairment are amounts receivable, which are measured at amortized cost. The Company has elected to apply the simplified approach to impairment as permitted by IFRS 9, which requires the expected lifetime loss to be recognized at the time of initial recognition of the receivable. To measure estimated credit losses, amounts receivable have been grouped based on shared credit risk characteristics, including the number of days past due. An impairment loss is reversed in subsequent periods if the amount of the expected loss decreases and the decrease can be objectively related to an event occurring after the initial impairment was recognized.

Financial Liabilities

Initial recognition and measurement

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVPL. The Company's financial liabilities include accounts payable and accrued liabilities and other liabilities, which are each measured at amortized cost. All financial liabilities are recognized initially at fair value and in the case of long-term loans payable, net of directly attributable transaction costs.

Subsequent measurement – financial liabilities at amortized cost

After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in the statements of loss.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, cancelled, or expires with any associated gain or loss recognized in other income or expense in the statements of loss.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Exploration and evaluation properties

All expenditures on exploration and evaluation activities, including costs incurred to acquire and secure exploration property licenses, are recorded as project evaluation expenses until it has been established that a mineral property is commercially viable.

Common shares

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares, warrants and share options are recognized as a deduction from equity, net of any tax effects.

Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a graded vesting basis over the period during which the employee becomes unconditionally entitled to equity instruments, based on the Company's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For those options and warrants that expire after vesting, the recorded value is transferred to deficit.

Foreign currency translation

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Exchange differences are recognized in operations in the period in which they arise.

Income taxes

Any income tax on profit or loss for the year presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive loss, in which case the income tax is recognized in equity or other comprehensive loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes (continued)

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to set off the amounts, and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously. Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, on a non-discounted basis using tax rates at the end of the reporting period applicable to the period of expected realization. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. The diluted loss per share calculation assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted loss per share calculation. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive. All the Company’s outstanding warrants were anti-dilutive for the years ended December 31, 2021 and 2020.

Provisions

(a) General

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as finance expense in the consolidated statement of loss.

(b) Rehabilitation provisions

The Company records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas.

The obligation generally arises when the asset is installed, or the ground / environment is disturbed at the production location. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related mining assets to the extent that it was incurred prior to the production of related ore. Over time, the discounted liability is increased for the change in present

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions (continued)

value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognized in operations as a finance cost. Additional disturbances or changes in rehabilitation costs will be recognized as additions or charges to the corresponding assets and rehabilitation liability when they occur. For closed sites, changes to estimated costs are recognized immediately in loss.

The Company does not currently have any such significant legal or constructive obligations and therefore, no rehabilitation provision has been recorded as at December 31, 2021 or 2020.

Future accounting changes

Certain new standards, interpretations, amendments, and improvements to existing standards were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2022. Updates that are not applicable or are not consequential to the Company have been excluded thereof. The following have not yet been adopted and are being evaluated to determine their impact on the consolidated financial statements.

IAS 1 – Presentation of Financial Statements (“IAS 1”) was revised in January 2020 and July 2020 to (i) clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the right to defer settlement by at least twelve months and make explicit that only rights in place “at the end of the reporting period” should affect the classification of a liability; (ii) clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and (iii) make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are effective for annual reporting periods beginning on or after January 1, 2023.

IAS 1 – In February 2021, the IASB issued ‘Disclosure of Accounting Policies’ with amendments that are intended to help preparers in deciding which accounting policies to disclose in their financial statements. The amendments are effective for year ends beginning on or after January 1, 2023.

IFRS 10 – Consolidated Financial Statements (“IFRS 10”) and IAS 28 – Investments in Associates and Joint Ventures (“IAS 28”) were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined; however early adoption is permitted.

IAS 8 – Definition of Accounting Estimates (“IAS 8”) was amended in February 2021 to replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to management uncertainty”. Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves management uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error. IAS 8 is effective for annual periods beginning on or after January 1, 2023.

4. PROJECT EVALUATION EXPENSES

The Company holds certain property interests for gold exploration in the Principality of Asturias in Spain and for polymetallic exploration in the Autonomous Community of Andalucia in Spain.

a) Penedela Property

During 2019, the Company entered into an option agreement with Asminarq SL ("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. In order for the Company to earn a 45% interest in the property, the Company is to pay EURO 40,000, issue 1,184,000 shares of the Company, and incur EURO 500,000 in qualifying expenditures by August 31, 2022. In order for the Company to earn the remaining 55% interest in the property, the Company is to pay EURO 40,000, issue 814,000 shares and incur EURO 500,000 in qualifying expenditures by August 31, 2023. See Note 14.

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.

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.

The Sierra Alta Property is in the Asturias region 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.

Expressed in Canadian Dollars

4. PROJECT EVALUATION EXPENSES (continued)

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 community 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 years ended December 31,	
	2021	2020
Land management fees, taxes and permits	$ -	$ 12,930
Labour	10,715	187,638
Drilling and geophysics	-	214,656
Technical reports	22,008	-
Travel, meals and accomodations	-	45,885
Professional fees	20,849	54,720
Project overhead costs	24,925	67,370
Total project evaluation expenses	**$ 78,497**	**$ 583,199**

For the year ended December 31, 2021, all project evaluation expenses were incurred on the Penedela property. For the year ended December 31, 2020, all project evaluation expenses were incurred on the Penedela property, except for $50,000 paid to Emerita Resources Corp with regards to the Sierra Alta option agreement.

5. COMMON SHARES

Authorized

On December 31, 2021 and 2020, the authorized share capital consisted of an unlimited number of common shares without par value.

Common Shares Issued

	Number of shares outstanding	Amount
Balance, December 31, 2021, 2020 and 2019	**9,725,000**	**$ 509,786**

Expressed in Canadian Dollars

6. EQUITY RESERVES

Warrants

As at December 31, 2021, the Company had the following warrants outstanding and exercisable:

	Number of warrants		Weighted average exercise price		Grant date fair value of warrants
Balance, December 31, 2021, 2020 and 2019	**1,862,500**	**$**	**0.30**	**$**	**208,951**
Broker warrants (i)	1,213,870		0.30		182,000
Balance, December 31, 2021	**3,076,370**	**$**	**0.30**	**$**	**390,951**

(i) In connection with the subscription receipt financing (note 13), 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.

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 years ended December 31, 2021 and 2020.

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 December 31, 2021 and 2020, 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.

(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 December 31, 2021 and 2020, the Company had the following financial instruments and denominated in foreign currency (expressed in Canadian dollars):

Expressed in Canadian Dollars

8. FINANCIAL INSTRUMENTS (continued)

December 31, 2021		
Cash	$	6,704
Accounts payable and accrued liabilities		(321,275)
	$	(314,571)

December 31, 2020		
Cash	$	8,075
Accounts payable and accrued liabilities		(59,524)
	$	(51,449)

A 10% strengthening (weakening) of the Canadian dollar against the Euro would decrease (increase) net loss by approximately $31,457 (2020 - $5,145).

(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. At December 31, 2021, the Company had a cash balance of $659,280 (2020 - $18,650) to settle current liabilities of $374,265 (2020 - $149,789), excluding other liabilities. See Note 13 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 closely monitors commodity prices, as they relate to gold, zinc, and lithium, 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.

9. RELATED PARTY TRANSACTIONS

As at December 31, 2021, accounts payable included an amount of $107,019 received as an advance from a shareholder, who is also a director and officer of the Company (2020 - $108,215). The amount outstanding is unsecured, non-interest bearing, with no fixed terms of repayment.

As at December 31, 2021, amounts receivable included an amount of $15,110 owing from a director of the Company (2020 - $12,486).

As at December 31, 2021, accounts payable included an amount of $126,876 owing to an entity with a common director and officer of the Company (2020 - $32,954). As at December 31, 2021, amounts receivable included an amount of $31,722 owing from the same entity (2020 - $nil).

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 years ended December 31, 2021 and 2020, the remuneration of directors and other key management personnel was $nil.

Expressed in Canadian Dollars

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 December 31, 2021 and 2020:

December 31, 2021		Spain		Canada		Total
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
Total Assets	**$**	**95,149**	**$**	**8,186,334**	**$**	**8,281,483**
Accounts payable and accrued liabilities	$	321,274	$	52,991	$	374,265
Other liabilities		-		8,000,100		8,000,100
Total liabilities	**$**	**321,274**	**$**	**8,053,091**	**$**	**8,374,365**

December 31, 2020		Spain		Canada		Total
Cash	$	8,075	$	10,575	$	18,650
Other current assets		59,082		7		59,089
Reclamation deposit		7,648		-		7,648
Total Assets	**$**	**74,805**	**$**	**10,582**	**$**	**85,387**
Accounts payable and accrued liabilities	$	59,524	$	90,265	$	149,789
Total liabilities	**$**	**59,524**	**$**	**90,265**	**$**	**149,789**

11. INCOME TAXES

Provision for income taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2020 - 26.5%) to the effective tax rate is as follows:

	2021 $	2020 $
(Loss) before income taxes	(210,480)	(583,500)
Expected income tax recovery based on statutory rate	(56,000)	(155,000)
Adjustment to expected income tax recovery:		
Other	(188,000)	
Change in benefit of tax assets not recognized	244,000	155,000
Income tax expense	-	-

Expressed in Canadian Dollars

11. INCOME TAXES (continued)

Deferred income taxes

Deferred taxes are a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities.

	2021 $	2020 $
Non-capital loss carry-forwards (Canada)	281,000	-
Non-capital loss carry-forwards (Spain)	794,000	-
Share issue costs	594,000	-
Total temporary differences	1,669,000	-

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can use the benefits.

Non-capital losses of $281,000 in Canada expire between 2039 and 2041. Non-capital losses of €552,000 ($794,000) in Spain expire between 2037 and 2039.

12. 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 consolidated financial statements.

13. 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 6(i) for the assumptions used in the model.

As at December 31, 2021, the Company has presented 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 $742,560 ($560,560 paid 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 14.

14. 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.

14. SUBSEQUENT EVENTS (continued)

Proposed Transaction (continued)

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 commencing as of the open on April 19, 2022, under the symbol "WMS".

Penedela Property (Asminarq) Acquisition

On February 14, 2022, Western Metallica entered into a purchase agreement (the "Purchase Agreement") with Asminarq, superseding existing agreements (Note 4(a)) whereby Western Metallica will acquire 100% of Asminarq pursuant to the following terms:

- Payment from Western Metallica to Asminarq in the amount of €100,000 (approximately $144,000) upon signature of the Purchase Agreement (paid in March 2022);
- The issuance of 2,000,000 post-share split Western Metallica common shares to Asminarq owners (1,271,242 pre-share split Western Metallica common shares, issued on April 13, 2022);
- If Western Metallica completes a NI43-101 complaint resource that identifies 1 million ounces of gold in a defined target area, Western Metallica will pay Asminarq €500,000, plus an additional €0.05 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.