



Western Metallica Resources Corp.

Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2022 and 2021

(Expressed in Canadian Dollars)

(Unaudited)

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

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

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

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

Western Metallica Resources Corp.
Condensed Interim Consolidated Statements of Financial Position
Expressed in Canadian Dollars - Unaudited

As at:	Note	September 30, 2022 \$	December 31, 2021 \$
ASSETS			
Current			
Cash and cash equivalents	3	6,040,146	659,280
Restricted cash		-	6,767,939
Amounts receivable	10	119,823	52,155
Prepaid expenses		61,651	46,021
Prepaid finance expenses		-	742,560
Total current assets		6,221,620	8,267,955
Long-term			
Reclamation deposit		63,810	13,528
Total assets		6,285,430	8,281,483
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	9,10	254,696	374,265
Other liabilities		-	8,000,100
Total liabilities		254,696	8,374,365
SHAREHOLDERS' (DEFICIENCY)			
Common shares	6	8,120,480	509,786
Warrant reserve	7	2,207,346	390,951
Option reserve	7	628,782	-
Deficit		(4,925,874)	(993,619)
Total shareholders' (deficiency)		6,030,734	(92,882)
Total liabilities and shareholders' (deficiency)		6,285,430	8,281,483
Nature of operations and going concern	1		
Commitments and contingencies	5,12		
Subsequent events	13		

These consolidated financial statements were authorized for issue by the Board of Directors on November 28, 2022.

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 September 30,		Nine months ended September 30,	
		2022	2021	2022	2021
	Note	\$	\$	\$	\$
Expenses					
Project evaluation expenses	4,5	473,043	(2,100)	1,194,971	53,624
Salaries and benefits	10	89,461	-	293,159	-
Consulting and management fees	10	78,270	-	216,681	-
Professional fees		39,855	-	83,991	-
Transaction costs	6(iv)	-	-	1,514,931	-
Share-based compensation	7	3,680	-	614,560	-
Office and general		42,945	375	68,601	1,155
(Loss) for the period before other items		(727,254)	1,725	(3,986,894)	(54,779)
Other items					
Interest income		43,850	-	59,248	-
Foreign exchange gain/(loss)		25,697	(10,355)	(4,609)	(227)
Net loss and comprehensive loss		(657,707)	(8,630)	(3,932,255)	(55,006)
Basic and diluted (loss) per share					
		\$ (0.01)	\$ (0.00)	\$ (0.10)	\$ (0.01)
Weighted average number of common shares outstanding					
Basic and Diluted		50,959,099	9,725,000	38,011,281	9,725,000

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' (Deficiency)

Expressed in Canadian Dollars - Unaudited

	Number of shares #	Common Shares \$	Number of warrants #	Warrant Reserve \$	Number of options #	Option Reserve \$	Deficit \$	Shareholders' (deficiency) / equity \$
Balance, December 31, 2020	15,299,998	509,786	2,930,206	208,951	-	-	(783,139)	(64,402)
Loss and comprehensive loss for the period	-	-	-	-	-	-	(55,006)	(55,006)
Balance, September 30, 2021	15,299,998	509,786	2,930,206	208,951	-	-	(838,145)	(119,408)
Broker warrants	-	-	1,213,870	182,000	-	-	-	182,000
Loss and comprehensive loss	-	-	-	-	-	-	(155,474)	(155,474)
Balance, December 31, 2021	15,299,998	509,786	4,144,076	390,951	-	-	(993,619)	(92,882)
Acquisition of Asminarq SL	2,000,000	470,000	-	-	-	-	-	470,000
Reverse takeover transaction	6,500,000	1,527,500	400,000	83,040	605,000	124,015	-	1,734,555
Subscription receipts	26,667,000	6,266,745	13,333,500	1,733,355	-	-	-	8,000,100
Share issue costs	-	(941,938)	-	-	-	-	-	(941,938)
Sierra Alta option extension	786,632	141,594	-	-	-	-	-	141,594
Share-based compensation	-	-	-	-	4,250,000	614,560	-	614,560
Options exercise	475,000	146,793	-	-	(475,000)	(109,793)	-	37,000
Loss and comprehensive loss for the period	-	-	-	-	-	-	(3,932,255)	(3,932,255)
Balance, September 30, 2022	51,728,630	8,120,480	17,877,576	2,207,346	4,380,000	628,782	(4,925,874)	6,030,734

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

		Nine months ended September 30,	
	Note	2022 \$	2021 \$
Cash (used in)/provided by:			
Operating activities			
(Loss) for the period		(3,932,255)	(46,376)
Items not involving cash:			
Acquisition of Asminarq SL	4,5	470,000	-
Acquisition of Orcus Resources Ltd.	6(iv)	1,734,555	-
Sierra Alta option extension	6(i)	141,594	-
Share-based compensation	7	614,560	-
Foreign exchange		(50,282)	445
Changes in non cash working capital		(202,867)	38,162
Net cash (used in) operating activities		(1,224,695)	(7,769)
Investing activities			
Decrease in restricted cash		6,767,939	-
Net cash provided by investing activities		6,767,939	-
Financing activities			
Subscription receipt issuance costs		(199,378)	-
Options exercised	7	37,000	-
Net cash (used in) financing activities		(162,378)	-
Change in cash		5,380,866	(7,769)
Cash, beginning of period		659,280	18,650
Cash, end of period		6,040,146	10,881

SUPPLEMENTAL INFORMATION

Broker warrants issued	6(iii)	1,733,355	-
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Western Metallica Resources Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2022 and 2021

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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*. The Company changed its name from 2657772 Ontario Inc. on October 30, 2019 to Western Metallica Corp. 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 6(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 September 30, 2022, the Company had working capital of \$5,966,924 (December 31, 2021: deficiency of \$106,410) and an accumulated deficit of \$4,925,874 (December 31, 2021: \$993,619). 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.

Western Metallica Resources Corp.

Notes to the Condensed Interim Consolidated Financial Statements For the three and nine months ended September 30, 2022 and 2021

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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.

2. BASIS OF PRESENTATION

Statement of compliance

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

Basis of presentation

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

These condensed interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All material intercompany transactions and balances between the subsidiaries have been eliminated on consolidation.

Approval of the consolidated financial statements

These condensed interim consolidated financial statements of the Company for the three and nine months ended September 30, 2022 were reviewed, approved and authorized for issue by the Board of Directors of the Company on November 28, 2022.

Critical judgements and estimation uncertainties

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

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

Share-based payments and warrants

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

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Income, value added, withholding and other taxes

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

Rehabilitation provisions

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

Contingencies

Refer to Notes 1 and 12.

3. CASH AND CASH EQUIVALENTS

	September 30, 2022	December 31, 2021
	\$	\$
Cash	1,040,146	659,280
Guaranteed investment certificate ("GIC"), bearing interest rate of 3.45%, redeemable anytime, and maturing July 15, 2023	1,000,000	-
Guaranteed investment certificate ("GIC"), bearing interest rate of 4.00%, and maturing January 11, 2023	4,000,000	-
Cash and cash equivalents	6,040,146	659,280

4. 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 5). As Asminarq did not meet the definition of a business as per IFRS 3, the acquisition was treated as an asset acquisition. Details of the allocation of the estimated fair values of identifiable assets acquired and liabilities assumed, and price consideration are as follows:

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	2022		2021
Consideration paid:			
Issuance of 2,000,000 common shares	\$ 470,000	\$	-
Cash payment (EUR105,000)	128,090		19,330
	<u>\$ 598,090</u>	<u>\$</u>	<u>19,330</u>
Purchase price allocation:			
Project acquisition expense	\$ 598,090	\$	19,330

5. 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 6(i));
- If Western Metallica completes a NI43-101-compliant resource of one million ounces of gold in a defined target area, Western Metallica will pay Asminarq €500,000, plus an additional €0.50 per additional ounce, over and above the one million ounces of gold, up to two million ounces of gold; and
- Asminarq will retain a 2% NSR (Net Smelter Return), of which 1% (half) of the NSR may be purchased by Western Metallica for €400,000.

Exploration expenditures incurred are detailed in the table below.

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

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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.

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 holds 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; and
2. Spend at least \$500,000 in mineral exploration expenditures on the Sierra Alta Project prior to December 31, 2022.

The common shares were issued to Emerita on September 30, 2022.

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. 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 nine months ended	
	September 30,	
	2022	2021
Acquisition expense	\$ 739,685	\$ 7,670
Labour	122,933	11,670
Technical reports	230,587	22,564
Project overhead costs	101,766	11,720
Total project evaluation expenses	\$ 1,194,971	\$ 53,624

For the nine months ended September 30, 2022 and 2021, all project evaluations expenses were incurred on the Penedela property except for the Sierra Alta option extension for \$141,594.

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Notes to the Condensed Interim Consolidated Financial Statements

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6. 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 financial statements to reflect the share split.

Authorized

As at September 30, 2022, 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 and 2020	15,299,998	\$ 509,786
Acquisition of Asminarq SL (ii)	2,000,000	470,000
Reverse takeover transaction (Note 1 and 6(iv))	6,500,000	1,527,500
Subscription receipts (iii, iv)	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, September 30, 2022	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 5(c)).
- (ii) In connection with the acquisition of Asminarq (Note 4), 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 6(ii)).
- (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.

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

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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 6(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)	83,040
Issuance of Options (210,000 @ \$0.2317)	48,657
Issuance of Options (265,000 @ \$0.2307)	61,136
Issuance of Options (130,000 @ \$0.1094)	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 nine months ended September 30, 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.

7. 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 financial statements to reflect the share split.

Warrants

The changes in warrants issued during the year ended December 31, 2021 and the nine months ended September 30, 2022 are as follows:

	Number of warrants	Weighted average exercise price	Grant date fair value of warrants
Balance, December 31, 2020	2,930,206	\$ 0.19	\$ 208,951
Granted, November 2021 - Broker warrants	1,213,870	0.30	182,000
Balance, December 31, 2021	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, September 30, 2022	17,877,576	\$ 0.39	\$ 2,207,346

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The following table summarizes the warrants outstanding as of September 30, 2022:

Number of warrants outstanding	Number of warrants exercisable	Grant date	Expiry date	Exercise 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	208,951	135%	1.00%	4.49	0%
13,333,500	13,333,500	23-Nov-21	23-Nov-23	0.45	182,000	135%	1.00%	2.00	0%
1,213,870	1,213,870	23-Nov-21	23-Nov-23	0.30	1,733,355	135%	1.00%	2.00	0%
400,000	400,000	12-Apr-22	5-Oct-26	0.10	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 September 30, 2022 is 1.28 years (December 31, 2021: 2.30 years).

Share-based payments

The changes in stock options issued during the year ended December 31, 2021 and the nine months ended September 30, 2022 are as follows:

	Number of options	Weighted average exercise price	Grant date fair value of options
		\$	\$
Balance, December 31, 2021 and 2020	-	-	-
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	625,600
Balance, September 30, 2022	4,380,000	\$ 0.20	\$ 639,822

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.

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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 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 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 (nine months ended September 30, 2021: no options exercised). Directors of the Company exercised 270,000 options, generating proceeds of \$20,000.

As at September 30, 2022, \$614,560 (December 31, 2021 - \$nil) in share-based compensation has been recognized in the condensed interim consolidated statements of loss and comprehensive loss.

Options outstanding as of September 30, 2022 are as follows:

Number of options outstanding	Number of options exercisable	Grant date	Expiry date	Exercise 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	14,222	114%	2.34%	1.52	0%
4,250,000	4,150,000	25-May-22	25-May-27	0.20	625,600	119%	2.60%	5.00	0%
4,380,000	4,280,000				639,822				

The weighted-average remaining contractual life of the options as of September 30, 2022 is 4.54 years (December 31, 2021: no options outstanding).

8. 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 approach to capital management during the nine months ended September 30, 2022 and 2021.

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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.

9. 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, 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 September 30, 2022, the Company's financial instruments that are carried at fair value, being cash equivalents, 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

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 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 September 30, 2022 and December 31, 2021, the Company had the following financial instruments denominated in foreign currency (expressed in Canadian dollars):

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September 30, 2022

	Euros		US Dollars	
Cash	\$	301,560	\$	31,426
Amounts receivable		70,193		-
Accounts payable and accrued liabilities		(144,035)		(10,291)
	\$	227,717	\$	21,135

December 31, 2021

Cash	\$	6,704	\$	-
Amounts receivable		28,896		-
Accounts payable and accrued liabilities		(321,274)		-
	\$	(285,674)	\$	-

A 10% strengthening (weakening) of the Canadian dollar against the Euro would decrease (increase) net loss by approximately \$22,800 (December 31, 2021 - (\$28,600)).

A 10% strengthening (weakening) of the Canadian dollar against the US dollar would decrease (increase) net loss by approximately \$2,100 (December 31, 2021 - \$nil).

(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 September 30, 2022, the Company had a cash balance of \$6,040,146 (December 31, 2021 - \$659,280) to settle current liabilities of \$254,696 (December 31, 2021 - \$374,265, 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.

10. RELATED PARTY TRANSACTIONS

As at September 30, 2022, \$nil is included in accounts payable as an advance from a shareholder, who is also a director and officer of the Company (December 31, 2021 - \$107,019).

As at September 30, 2022, an amount of \$29,073, included in accounts payable and accrued liabilities, was owed to directors and officers of the Company (December 31, 2021 - \$nil). The amounts outstanding on fees are unsecured, non-interest bearing, with no fixed terms or repayment.

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As at September 30, 2022, amounts receivable included an amount of \$14,052 owing from a director of the Company (December 31, 2021- \$15,110).

As at September 30, 2022, accounts payable included an amount of \$117,989 owing to an entity with a common director and officer of the Company (December 31, 2021- \$126,876). As at September 30, 2022, amounts receivable included an amount of \$26,823 owing from the same entity (December 31, 2021- \$31,722).

Compensation of key management personnel of the Company

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company. During the three and nine months ended September 30, 2022 and 2021, the remuneration of directors and other key management personnel is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Salaries and benefits	\$ 70,788	\$ -	\$ 245,032	\$ -
Consulting fees	83,104	-	164,515	-
Share-based compensation	-	-	426,880	-
Total	\$ 153,892	\$ -	\$ 836,427	\$ -

11. 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 September 30, 2022 and December 31, 2021:

September 30, 2022	Spain	Canada	Total
Cash	\$ 301,560	\$ 5,738,586	\$ 6,040,146
Amounts receivable	70,193	49,630	119,823
Prepaid expenses	49,994	11,657	61,651
Reclamation deposit	63,810	-	63,810
Total Assets	\$ 485,557	\$ 5,799,873	\$ 6,285,430
Accounts payable and accrued liabilities	\$ 133,329	\$ 121,367	\$ 254,696
Total liabilities	\$ 133,329	\$ 121,367	\$ 254,696

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

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The following table summarizes the loss by geographic segment for the nine months ended September 30, 2022 and 2021:

September 30, 2022	Spain	Canada	Total
Other income	\$ -	\$ (59,248)	\$ (59,248)
Project evaluation expenses	1,053,377	141,594	1,194,971
General and administrative expenses	-	2,791,923	2,791,923
Foreign exchange loss	-	4,609	4,609
Loss	\$ 1,053,377	\$ 2,878,878	\$ 3,932,255

September 30, 2021	Spain	Canada	Total
Project evaluation expenses	53,624	-	53,624
General and administrative expenses	-	1,155	1,155
Foreign exchange (gain)	227	-	227
Loss	\$ 53,851	\$ 1,155	\$ 55,006

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 employment and consulting contracts. These contracts contain minimum commitments of approximately \$356,649 with regards to termination pay and additional contingent payments of up to approximately \$713,298 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 condensed interim consolidated financial statements.

Other

See Notes 1 and 5.

13. SUBSEQUENT EVENTS

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 119.5% based on volatilities of comparable companies, risk-free rate of 3.84% and expected average life of 5 years.