

**Western Metallica Resources Corp.
Management's Discussion and Analysis
For the years ended December 31, 2022 and 2021
(in Canadian dollars, unless otherwise noted)**

Date: April 28, 2023

This Management's Discussion and Analysis ("**MD&A**") provides a discussion and analysis of the financial condition and results of the operations of Western Metallica Resources Corp. (individually or collectively with its subsidiaries, as applicable, "**Western Metallica**" or the "**Company**"), to enable a reader to assess material changes in the financial condition and results of operations as at and for the years ended December 31, 2022 and 2021. The MD&A should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2022 and 2021. All amounts included in the MD&A are expressed in Canadian dollars, unless otherwise specified.

The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as published by the International Accounting Standards Board. Please refer to Note 3 of the annual audited consolidated financial statements as at and for the years ended December 31, 2022 and 2021 for disclosure of the Company's significant accounting policies.

Additional information about the Company may be found on SEDAR at www.sedar.com.

The scientific and technical contents of this MD&A have been reviewed and approved by Mr. Joaquin Merino, P. Geo, Director of the Company and a Qualified Person under National Instrument 43-101 ("**NI 43-101**"). Mr. Merino is an executive officer and Director of the Company and is therefore not considered to be independent under National Instrument 43-101.

The Board of Directors of the Company has reviewed this MD&A and the consolidated financial statements for the years ended December 31, 2022 and 2021, and the Company's Board of Directors approved these documents prior to their release.

Overview and Strategy

Western Metallica is a publicly traded Canadian exploration and development company listed on the TSX Venture Exchange ("**TSXV**"). The Company is engaged in the acquisition, exploration, and development of mineral properties with a primary focus on exploring in Spain. Exploration is conducted through the Company's wholly owned Spanish subsidiary, Western Metallica S.L.

Summary of Properties and Projects

Mineral Exploration Properties

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 owned 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 will acquire 100% of Asminarq pursuant to the following terms:

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- 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 Asminarq owners (1,271,242 pre-share split Western Metallica common shares, issued on April 13, 2022);
- If Western Metallica completes a NI43-101-compliant resource of one million ounces of gold in a defined target area, Western Metallica will pay Asminarq €500,000, plus an additional €0.50 per additional ounce, over and above the one million ounces of gold, up to two million ounces of gold; and
- Asminarq will retain a 2% NSR (Net Smelter Return), of which 1% (half) of the NSR may be purchased by Western Metallica for €400,000.

The company launched its 2,000-metre diamond drilling program on May 25, 2022 that was completed in Q4 2022. From 2020 to 2022, the Penedela Project underwent a cumulative total of 2,236 metres drilled across 12 holes to a maximum depth of 335.6 metres, with the Penedela zone drilled approximately 130 metres vertical from surface and a total of ~500 metres on-strike. The program was generally aimed at testing the control on mineralization by the NS structure, with the exception of IB029 located on the southern edge of the project, that was drilled with a 350 azimuth. The ongoing modelling is focused on wireframing two different mineralized bodies that run parallel, constituting the Penedela zone: one hanging wall skarnoid, continuous, and lower grade body, and another footwall one represented by a zone of quartzgalena-arsenopyrite veining.

Refer to the news releases dated August 8, 2022 on www.sedar.com for the assay results for the diamond drill holes completed.

Drilling Summary Results:

DDH	Easting	Northing	Elevation	Azimuth	Dip	Depth (m)	FROM	TO	Width (m)	Cu %	Au (g/t)	Ag (g/t)
IB024	668590	4768719	710	0	-90	291	90.9	91.5	0.7	0.2	0.3	189
							110	110.8	0.8	0.1	0.4	1
							110.8	111.3	0.5	0.1	0.5	0.1
IB025	668360	4768148	428	160	-50	168	77.3	77.8	0.5	0	17.4	7
							89.5	90.3	0.8	0	0.6	3
							129	130	1	0	0.5	1
IB026	668325	4768576	579		-50	181	101.5	102.5	1	0	2.1	1

The four main targets of the Penedela program re-start underwent a cumulative 1,411 metres of drilling which confirmed the mineralization within the Penedela system, still open toward South and North as well as the width of the main Penedela zone that still remains to be defined as summarized below:

Penedela Structure

The main breccia vein mineralization occurring at the sheared contact between the Luarca shales and the Los Cabos quartzite was object of the previous drilling and will not be object of the current drilling phase.

Drill holes IB025 and IB026 were used to verify the Penedela body extension. Hole IB030 twinned a historical hole aimed at better defining two mineralized domains being currently wireframed, and confirmed a wider mineralized zone expanding inside the quartzite far from the contact with the

slates. The ongoing relogging and resampling exercise of hole IB019 (2020 program hole) and IB026 seems to point out that the mineralization remains open at-depth. IB019, that returned significant results of 11 metres at 0.7 g/t Au and 3 metres at 1.8 g/t Au, was drilled down to 115.7 metres ending in Qz-As veining, and exhibits a wider zone of potential mineralization ~100 metres below surface.

Saddle Reef and N-S Fault Target

Massive quartz veins traditionally coined 'saddle reef structures' occur on the hinges of anticlines, this occurrence on the Penedela property remains an untested region where recent field work indicated a folding style characterized by a 'short wave-length' chevron structure, analogous to the regional San Martin anticline. The chevron folding style combined with the presence of mineralization constrained by lithological contact assumes the prospective presence of saddle reef mineralization, in addition to recent 3D interpretation which infers the presence of a N10° fault as a possible structure feeding the system. The initial planned drill hole F3IB-02 is intended to test this hypothesis with a series of contingent holes, F3IB-05 and F3IB-006, to be drilled southward on strike.

Drill holes IB024 and IB028 targeted the possible control by the anticline hinge. Hole IB028 was drilled to a total depth of 197.1 metres, aimed to potentially intersect the hinge of the regional San Martin anticline approaching the eastern limb of the fold, as this sector of the Penedela property remained untested and recent field work indicated a folding style characterized by a 'short wave-length' chevron structure similar to other similar systems worldwide.

Drill hole IB027 targeted a possible feeder of the Penedela system, as pointed out by high Au-grade returned from surface rock samples. 3D interpretation inferred the presence of a NS fault as a possible structure feeding the system which assumes a conceptual massive quartz vein traditionally coined 'saddle reef structure'. Hole IB027 was drilled to a total depth of 150.2 metres and intercepted a couple of silicified zones with fine-disseminated arsenopyrite and pyrite prospectively indicating NS Fault systems dipping eastward.

Cerro-East Target

Aimed to test the breccia contact in the western flank, a possible N-S extension and evaluate at depth. Structural mapping, roman vestiges and geochemical assay results support the untested target as a zone of potential interest which historically returned 1 metre at 2 g/t Au (Drill Hole IB12 by Rio Narcea Gold Mines Ltd., 1995). A prominent >200ppb Au, N10°-striking soil anomaly, could be interpreted as a hidden N-S fault to be targeted by the planned drill hole F3IB-01A, and drill hole F3IB-01B at depth.

E-W Structure Target

These N110 structures are observed to crosscut the chevron-style fold hinges and may be related to a N-S extension. The related vein system will be the object of selective channel sampling aimed to investigate its role within the gold transportation and deposition, these veins could have been bypassed by previous drilling that was oriented E-W. To evaluate the possible N-S extension of the E-W striking target, saddle reef and N-S structures, a sector to the south across the Rio Linares defined as the Zona Sur Del Rio target will be intersected by holes F3IB-03 and F3IB-04, with the secondary purpose to prove the occurrences of the N110° system observed in this region.

Drill hole IB029 targeted the southern extension of the San Martin anticline hinge as well as the EW-trending vein system observed, on the northern side of the river, to crosscut the Penedela structure. The possibility of saddle-reef mineralization was initially tested by IB029 (on the southern sector of the property), which indicated results of 0.75 metres at 5.53 g/t Au, 0.45 metres at 0.37 g/t Au and 0.55 metres at 0.50 g/t Au, within a wide interval between 71.2 and 87.4 metres, returned from EW-trending veining. Here the gold grades resulted more erratic than the NS-trending veining characterizing the Penedela zone. A sulphide-matrix hydrothermal breccia intercepted at 222.35 metres returned 3.30 metres at 0.36 g/t Au, 0.2% Cu as well as quartz-arsenopyrite-pyrite veining, located at the breccia footwall, returned 0.95 metres at 5.21 g/t Au from 231.5 metres. Hole IB029

reached a total depth of 335.6 metres proving the presence of a skarnoid-type alteration, also marked by 20-30 metres wide pyrrhotite-in envelop, resulted from the metasomatism of feldspathic sandstone layers interbedded within the Los Cabos quartzite.

Indications of a gentle southern plunge of the fold axis confirmed from recent field observations infer the Cerro-East, Saddle Reef, N-S Fault and E-W Structure targets may continue on a southern trend. The drill program is anticipated to continue into November and will involve a stepout aimed to evaluate previously identified but untested targets, with a strategy that involves priority drill holes designed to test these targets and secondary holes contingent to the geological evidence gathered from the prioritized target holes.

Management continues to view Penedela as a project of exceptional importance, notably due to it being surrounded by significant Roman workings, in the robustly mineralized Navelgas Gold Belt, and structurally comparable to other prolific saddle reef and historical models. Gold occurrences in the Asturias region are indicated across three belts, the Navelgas, Oscos and Rio Narcea, and occurring in high-grade epithermal veins, skarns and as intrusive related gold deposits. The Asturias region has been a significant producer of gold and hosts two of the largest currently known deposits in the Iberian Peninsula, Salave and El Valle-Boinas Carles, both of which are in close proximity to all three Western Metallica properties; Penedela, Valledor and Sierra Alta. Penedela remains a project of focus for the Company, being positioned in a prolific region formed by multiple gold mineralizing events, with historical production estimated in excess of 3 million ounces of gold.

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 held an option to acquire 55% of the Sierra Alta Gold Project (the "Sierra Alta Project").

To earn a 55% interest, Western Metallica must:

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

The Sierra Alta Project is in the "Navelgas Gold Belt" in Asturias, Spain. Emerita applied for the permit on November 18, 2013 and received notice that the property had been granted on July 8, 2015. The concession was valid for a three-year term and was renewable for equal and successive periods of three years. An application for the permit to be extended was submitted and an extension was granted whereby the permit expires on October 19, 2023 and can be renewed.

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

1. Issue 786,632 common shares of the Company to Emerita; 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 and the minimum spend requirement was incurred prior to December 31, 2022. On December 21, 2022, the Company acquired 55% of the Sierra Alta Property by fulfilling the terms of the Option Agreement.

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

Preliminary mapping, drill scouting and target programing has launched a 1,000 metre, five hole diamond drill program where land access was granted on January 23, 2023, and is planned in parallel with work to be conducted at the Penedela property.

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

Nueva Celti, the Company's 100%-owned copper project is located in the Ossa Morena geological province of Andalucia, Spain in a region where copper mineralization has been recognized since ancient times. The project spans 1,250 hectare with historic coper mineralization and production grades reported over 5% copper. The Company is in the process of securing an additional 5,000 hectares to the East with the application of the Tetortillo investigation permit. Nueva Celti was the location of historic production of copper and other metals until 1918, with an underground mine that was developed across two shafts to ~130 metres depth, along one vein, which was then optioned out by Asturiana de Zinc SA, when then carried out an encouraging drill exploration campaign. The Company reviewed and compiled historical data including the review of 19-diamond drillholes executed by Asturiana and intends to conduct geophysical tests across the structure to generate immediate drill targets, including the acquisition of typical recognition, low-cost, self-potential data acquisition across the "historical" IP anomalies which effectively detects the target structures, in combination with simple lithological and structural context that in WMS environments provides robust information. The Company intends to conduct data interpretation, validation and scout drilling as next steps at Nueva Celti, including the coding of all historical drillhole information from the 1970's programs to generate a working 3D model in support of the next step drilling plan and target generation during Q1-2023.

Western Metallica recently launched a diamond drilling program aimed at validating the grades and confirming the geology interpreted compiling the historical information from the 'Asturiana de Zinc', Glencore, drilling program. The drilling program will be executed across two different phases totaling approximately 3,000 metres. The drilling program will target the ore bodies below the historical mine

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levels with the aim of proving the continuity of the ore bodies at depth for at least 400 metres, and for more than 400 metres on strike. Furthermore, the Company has planned the execution of both gravimetric and magnetic ground geophysical surveys aimed at broadening the target area and immediately generating further drill targets.

The results from the first hole, NCDD001, have confirmed the presence of the ore bodies reported by the 'Asturian de Zinc', Glencore drilling program, as well as intersected other shallower and deeper mineralized zones (refer to Table 1) with total widths and grades comparable with the historical results. The control on mineralization, mainly represented by a total >50% of disseminated magnetite, pyrite and chalcopyrite, seems mainly lithological with the coppermineralized zone coinciding with layers of muscovite and biotite-schists locally fragmental (metavolcaniclastics) within an amphibolite unit (meta-volcanics).

Table 1: Significant results from drill hole NCDD001

Hole	From m	To m	Width (m)	Cu %	Zn %	Pb %	Ag g/t	Au g/t
NCDD001	149.97	151.53	1.56	1.9	0.9	0.1	23.0	0.5
	165.55	170.42	4.87	1.8	1.1	0.2	18.2	0.6
	191.95	196.5	4.55	2.6	-	-	10.6	0.5
	228.65	235.03	6.38	1.1	0.3	-	7.3	0.3
	280.10	289.70	9.60	0.9	0.2	-	6.7	0.3
	417.75	420.10	2.35	0.8	0.5	0.2	12.1	0.4

The Nueva Celti Project has now been prioritized by the Company as a strategic exploration project due to these initial results demonstrating comparability to the vast amounts of regional and historical data, as well as past production of commercial grade copper with high quality infrastructure on and adjacent to the property.

Liquidity and Capital Resources

As at December 31, 2022, the Company had working capital of \$5,146,541 (December 31, 2021: deficiency of \$106,410), which included a cash and cash equivalents balance of \$1,172,622 (December 31, 2021 - \$659,280), short-term investments of \$4,000,000 (December 31, 2021 - \$nil), a restricted cash balance of \$nil (December 31, 2021 - \$6,767,939), amounts receivable of \$261,441 (December 31, 2021 - \$52,155), prepaid expenses and advances of \$27,504 (December 31, 2021 - \$46,021), and prepaid finance expenses of \$nil (December 31, 2021 - \$742,560) offset by accounts payable and accrued liabilities of \$315,026 (December 31, 2021 - \$374,265) and other liabilities of \$nil (December 31, 2021 - \$8,000,100).

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.

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 were held in escrow by Endeavor Trust Corporation ("Endeavor") to be released to the Company upon satisfaction and/or waiver of certain escrow release conditions. The Company will use the net proceeds from the offering for general corporate and working capital purposes.

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, Orcus 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 Target were exchanged for Company Shares on a one-for-one basis and Western Metallica Corp. and 1000055944 Ontario Inc., a wholly owned subsidiary of the Company newly incorporated under the *Business Corporations Act* (Ontario)

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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 Corp.". The consolidated financial statements for years ended December 31, 2022 and 2021 present the continuation of the Target and the acquisition of Orcus by Western Metallica Corp. as a reverse acquisition for accounting purposes.

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

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

- (i) 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. 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>

In connection with the acquisition of Asminarq, 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.

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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.

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.

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.

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.

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.

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.

For the year ended December 31, 2022, \$652,390 (December 31, 2021 - \$nil) in share-based compensation has been recognized in the consolidated statements of loss.

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

Results of Operations

Three months ended December 31, 2022

During the three months ended December 31, 2022, the Company recorded a loss of \$853,087, or \$0.02 per share compared to a loss of \$157,957 or \$0.02 per share for the three months ended December 31, 2021.

Expenses incurred during the three months ended December 31, 2022, included \$708,680 (three months ended December 31, 2021 - \$78,497) in project evaluation expenses, \$12,275 in salaries and benefits, \$83,068 in consulting and management fees, \$37,830 in share-based compensation related to stock options vesting during the period, \$40,920 in professional fees and \$40,668 (three months ended December 31, 2021 - \$135,626) in office and general expenses. For the three months ended December 31, 2021, expenses were lower as there was no drilling campaign and the Company was preparing for the stock listing.

Year ended December 31, 2022

During the year ended December 31, 2022, the Company recorded a loss of \$4,785,342, or \$0.12 per share compared to a loss of \$210,480, or \$0.02 per share during the year ended December 31, 2021.

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Expenses incurred during the year ended December 31, 2022 included \$1,903,651 (year ended December 31, 2021 - \$78,497) in project evaluation expenses, \$305,434 in salaries and benefits, \$299,749 in consulting and management fees, \$652,390 in share-based compensation related to stock options granted during the year, \$124,911 in professional fees, \$109,269 (year ended December 31, 2022 - \$135,830) in office and general expenses and \$1,514,931 in transaction costs related to the Company's reverse takeover transaction. For the year ended December 31, 2021, expenses were lower as there was no drilling campaign and the Company was preparing for the stock listing.

Cash flows

Year ended December 31, 2022

During the year ended December 31, 2022, the Company used cash of \$2,282,091 (year ended December 31, 2021 - \$24,495) in operating activities due primarily to project evaluation expenses of \$1,292,056, salaries, consulting and management fees of \$605,183 and changes in working capital balances of \$275,664. The increase in cash spending was due to the drilling campaign and public listing in 2022.

During the year ended December 31, 2022, the Company had cash of \$2,712,531 provided by investing activities due to a decrease in restricted cash upon the completion of the public listing and the purchase of a \$4,000,000 GIC.

During the year ended December 31, 2022, the Company had cash of \$82,902 provided by financing activities from \$245,280 cash received from the RTO and options exercised, offset by subscription receipt issuance costs incurred during the year compared to \$7,439,540 provided from the private placement financing for the year ended December 31, 2021.

Select Annual Information:

Select annual financial information for the years ended December 31, 2022, 2021 and 2020 is presented in the table below:

	2022	2021	2020
	\$	\$	\$
Total revenues	-	-	-
Net loss and comprehensive loss	(4,785,342)	(210,480)	(583,500)
Net loss per share, basic and diluted	(0.12)	(0.02)	(0.06)
Total assets	5,530,503	8,281,483	85,387

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.

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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 December 31, 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

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

December 31, 2022			
	Euros		US Dollars
Cash	\$	520,636	\$ 67,520
Amounts receivable		174,248	-
Accounts payable and accrued liabilities		(209,370)	(10,000)
	\$	485,514	\$ 57,520
December 31, 2021			
Cash	\$	6,704	\$ -
Amounts receivable		28,896	-
Accounts payable and accrued liabilities		(321,275)	-
	\$	(285,675)	\$ -

A 10% strengthening (weakening) of the Canadian dollar against the Euro would decrease (increase) net loss by approximately \$48,600 (December 31, 2021 - (\$28,600)).

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A 10% strengthening (weakening) of the Canadian dollar against the US dollar would decrease (increase) net loss by approximately \$5,800 (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 December 31, 2022, the Company had a cash balance of \$1,172,622 (December 31, 2021 - \$659,280) to settle current liabilities of \$315,026 (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 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.

Critical Accounting Policies

The Company's significant accounting policies are described in Note 3 of the consolidated financial statements for the year ended December 31, 2022 and 2021. The preparation of statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The following is a list of the accounting policies that management believes are critical, due to the degree of uncertainty regarding the estimates and assumptions involved and the magnitude of the asset, liability or expense being reported:

- Foreign currencies
- Exploration and evaluation properties

Foreign currencies

The Foreign currency translation presentation and functional currency of the Company and its subsidiary is the Canadian dollar.

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each financial position 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.

The Company makes expenditures and incurs costs in Euros ("EUR"). At December 31, 2022, one Canadian dollar was worth EUR 0.6917 (December 31, 2021 - EUR 0.6949). During the year ended December 31, 2022, the average value of one Canadian dollar was EUR 0.7414 (December 31, 2021 - EUR 0.6744).

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Project evaluation expenses

For the year ended December 31, 2022	Penedela	Sierra Alta	Total
Acquisition expense	\$ 598,090	141,595	\$ 739,685
Drilling	167,338	100,000	267,338
Labour	68,387	159,300	227,687
Technical	406,369	60,850	467,219
Project overhead costs	132,104	69,618	201,722
Total project evaluation expenses	\$ 1,372,288	\$ 531,363	\$ 1,903,651

For the year ended December 31, 2021	Penedela	Sierra Alta	Total
Acquisition expense	\$ 19,330	\$ -	\$ 19,330
Drilling	-	-	-
Labour	-	26,576	26,576
Technical	10,599	11,409	22,008
Project overhead costs	3,320	7,263	10,583
Total project evaluation expenses	\$ 33,249	\$ 45,248	\$ 78,497

Commitments and Contingencies

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.

The Company is 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.

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

Refer to Note 6 of the consolidated financial statements for the years ended December 31, 2022 and 2021.

Transactions with Related Parties

As at December 31, 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 December 31, 2022, an amount of \$27,650, 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 December 31, 2022, amounts receivable included an amount of \$7,952 owing from a director of the Company (December 31, 2021- \$15,110).

As at December 31, 2022, accounts payable included an amount of \$127,467 owing to an entity with a common director and officer of the Company (December 31, 2021- \$126,876). As at December 31, 2022, amounts receivable included an amount of \$36,207 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 year ended December 31, 2022 and 2021, the remuneration of directors and other key management personnel is as follows:

	Year ended December 31,	
	2022	2021
Salaries and benefits	\$ 315,374	\$ -
Consulting fees	240,908	-
Share-based compensation	461,030	-
Total	\$ 1,017,312	\$ -

Board Changes

On September 28, 2022, following the Company's Annual Meeting of Shareholders, Ms. Brigitte Berneche, Founder & Executive Director of Noah's Clubhouse Charitable Organization, was added to the Company's Board of Directors. Mr. James Walker did not stand for re-election and ceased to be a Director effective September 28, 2022.

Off-balance sheet arrangements

As of the date of this MD&A, the Company does not have any off-balance-sheet arrangements that have, or are reasonably likely to have, a current or future effect on the financial performance or financial condition of the Company, including, and without limitation, such considerations as liquidity and capital resources.

Risk Factors

Mining exploration inherently contains a high degree of risk and uncertainty, which even a combination of careful evaluation, experience and knowledge may not eliminate. The following are certain factors relating to the business of the Company, which investors should carefully consider when making an investment decision concerning the Company's shares. These risks and uncertainties are not the only ones facing the Company. Additional risks and uncertainties not presently known that the Company currently deems immaterial, may also impair the operations of the Company. If any such risks occur, the financial condition, liquidity and results of operations of the Company could be materially adversely affected and the ability of the Company to implement its growth plans could be adversely affected. An investment in the Company is speculative. An investment in the Company will be subject to certain material risks and investors should not invest in securities of the Company unless they can afford to lose their entire investment. The following is a description of certain risks and uncertainties that may affect the Company.

Substantial Capital Requirements and Liquidity

Substantial additional funds for the establishment of the Company's current and planned operations will be required. No assurances can be given that the Company will be able to raise the additional funding that may be required for such activities, should such funding not be fully generated from operations. Mineral prices, environmental rehabilitation or restitution, current financial conditions, revenues, taxes, capital expenditures, operating expenses and geological results are all factors which will have an impact on the amount of additional capital that may be required. To meet such funding requirements, the Company may be required to undertake additional equity financing, which would be dilutive to shareholders. Debt financing, if available, may also involve restrictions on financing and operating activities. There is no assurance that additional financing will be available on terms acceptable to the Company or at all. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and pursue only those projects that can be funded through cash flows generated from its existing operations, if any.

Financing Risks and Dilution to Shareholders

The Company will have limited financial resources, no operations and no revenues. Even if the Company's exploration program on one or more of the properties is successful, additional funds will be required for the purposes of further exploration and development. There can be no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be available on favourable terms or at all. It is likely such additional capital will be raised through the issuance of additional equity which would result in dilution to the Company's shareholders.

Limited Operating History

The Company is a relatively new company with limited operating history. The Company only recently acquired its interest in its material properties and the Company has no history of business or mining operations, revenue generation or production history. The Company has yet to generate a profit from their activities. The Company will be subject to all the business risks and uncertainties associated with any new business enterprise, including the risk that it will not achieve its growth objective. The Company anticipates that it may take several years to achieve positive cash flow from operations.

No Mineral Resources or Mineral Reserves

Resource exploration is a speculative business, characterized by a number of significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but also from finding mineral deposits that, though present, are insufficient in quantity and quality to return a profit from production. The marketability of minerals acquired or discovered by the Company may be affected by numerous factors which are beyond the control of the Company and which cannot be accurately predicted, such as market fluctuations, the proximity and capacity of milling facilities, mineral markets and processing equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals, and environmental protection, the combination of which factors may result in the Company not receiving an adequate return of investment capital.

The Company's properties are in the exploration stage only and, to date, no mineral resources or mineral reserves have been identified. Development of the Company's properties will follow only if favourable exploration results are obtained. The business of exploration for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. There is no assurance that any mineral resources or mineral reserves will be identified or developed. The long-term profitability of the Company's operations will in part be directly related to the costs and success of its exploration programs, which may be affected by a number of factors.

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Substantial expenditures are required to establish mineral resources and mineral reserves and to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a timely basis.

Fluctuating Mineral Prices

The economics of mineral exploration are affected by many factors beyond the Company's control, including commodity prices, the cost of operations, variations in the grade of minerals explored and fluctuations in the market price of minerals. Depending on the price of minerals, the Company may determine that it is impractical to continue a mineral exploration operation.

Mineral prices are prone to fluctuations and the marketability of minerals is affected by government regulation relating to price, royalties, allowable production and the importing and exporting of minerals, the effect of which cannot be accurately predicted. There is no assurance that a profitable market will exist for the sale of any minerals that may be found on the Company's properties.

Regulatory, Permit and License Requirements

The current or future operations of the Company require permits from various governmental authorities, and such operations are and will be governed by laws and regulations that may concern, among other things, exploration, development, production, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, site safety and other matters. Companies engaged in the exploration and development of mineral properties generally experience increased costs and delays in development and other schedules because of the need to comply with applicable laws, regulations and permits. There can be no assurance that all permits which the Company may require for facilities and the conduct of exploration and development operations on its properties will be obtainable on reasonable terms, or that such laws and regulations will not have an adverse effect on any exploration or development project which the Company might undertake.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in exploration and development operations may be required to compensate those suffering loss or damage by reason of the exploration and development activities and may have civil or criminal fines or penalties imposed upon them for violation of applicable laws or regulations. Amendments to current laws, regulations and permits governing operations and activities of mineral companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or exploration and development costs, or require abandonment or delays in the development of new or existing properties.

Title to Properties

Acquisition of title to mineral properties is a very detailed and time-consuming process. Title to, and the area of, mineral properties may be disputed. The Company cannot give an assurance that title to some or all the Company's interest in its properties will not be challenged or impugned. Mineral properties sometimes contain claims or transfer histories that examiners cannot verify. A successful claim that the Company does not have the interest it understands it has in its properties could cause the Company to lose any rights to explore, develop and mine any minerals on such properties without compensation for its prior expenditures relating thereto.

Competition

The mineral exploration and development industry is highly competitive. The Company will have to compete with other companies, many of which have greater financial, technical and other resources than the Company, for, among other things, the acquisition of minerals claims, leases and other mineral interests, as well as for the recruitment and retention of qualified employees and other personnel. Failure to compete successfully against other companies could have a material adverse effect on the Company and its prospects.

Reliance on Management and Dependence on Key Personnel

The success of the Company will be largely dependent upon the performance of its directors and officers and the ability to attract and retain key personnel. The loss of the services of these persons may have a material adverse effect on the Company's business and prospects. The Company will compete with numerous other companies for the recruitment and retention of qualified employees and contractors. There is no assurance that the Company can maintain the service of its directors and officers, or other qualified personnel required to operate its business. Failure to do so could have a material adverse effect on the Company and its prospects.

Environmental Risks

The Company's exploration and appraisal programs will, in general, be subject to approval by regulatory bodies. Additionally, all phases of the exploration, development and mining business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of international conventions and national and local laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with exploration, development, and mining operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs.

Local Resident Concerns

Apart from ordinary environmental issues, the exploration, development and mining of the Company's properties could be subject to resistance from local residents that could either prevent or delay exploration and development of the properties.

Foreign Operations

The Company's properties are located in Spain. As such, the Company's proposed activities with respect to its properties will be subject to governmental, political, economic and other uncertainties, including but not limited to expropriation of property without fair compensation, repatriation of earnings, nationalization, currency fluctuations and devaluations, exchange controls and increases in government fees, renegotiation or nullification of existing concessions and contracts, changes in taxation policies, economic sanctions and the other risks arising out of foreign governmental sovereignty over the areas in which the Company's operations will be conducted, as well as risks including loss due to civil strife, acts of war, insurrections and the actions of national labour unions. Future government actions concerning the economy, taxation, or the operation and regulation of nationally important facilities such as mines, could have a significant effect on the Company. No assurances can be given that the Company's plans and operations will not be adversely affected by future developments in Spain. Any changes in regulations or shifts in political attitudes will be beyond the Company's control and may adversely affect the Company's business.

Uninsurable Risks

Exploration, development and production operations on mineral properties involve numerous risks, including unexpected or unusual geological operating conditions, rock bursts, cave-ins, fires, floods, earthquakes and other environmental occurrences, any of which could result in damage to, or destruction of, equipment and mines, damage to life or property, environmental damage and possible legal liability. Although precautions to minimize risk will be taken, operations are subject to hazards that may result in environmental pollution and consequent liability that could have a material adverse impact on the business, operations and financial performance of the Company. It is not always possible to obtain insurance against all such risks and the Company may decide not to insure against certain risks as a result of high premiums or other reasons. Should such liabilities arise, they could have an adverse impact on the Company's results of operations and financial condition and could cause a decline in the value of the Company securities.

Litigation

The Company and/or its directors or officers may be subject to a variety of civil or other legal proceedings, with or without merit.

Outstanding Share Data

As at the date of this MD&A, the Company has:

- 1) 51,728,630 common shares outstanding.
- 2) 17,877,576 warrants outstanding, with expiry dates ranging from November 23, 2023 to October 5, 2026. If all the warrants were exercised, 17,877,576 shares would be issued for gross proceeds of \$6,963,905.
- 3) 4,580,000 options outstanding, with expiry dates ranging from October 20, 2023 to October 20, 2027. If all the options were exercised, 4,580,000 shares would be issued for gross proceeds of \$929,000.

CAUTIONARY STATEMENT REGARDING FORWARD LOOKING INFORMATION

This MD&A contains, or incorporates by reference, "forward-looking information" within the meaning of applicable Canadian securities legislation. Forward-looking information includes, but is not limited to, statements with respect to the future performance of Western Metallica Corp. ("Western Metallica" or the "Company"), Western Metallica's mineral properties, the future price of gold, zinc and other metals, the estimation of mineral resources and mineral reserves, results of exploration activities and studies, the realization of mineral resource estimates, exploration activities, costs and timing of the development of new deposits, the acquisition of additional mineral resources, the results of future exploration and drilling, costs and timing of future exploration of the mineral projects, requirements for additional capital, management's skill and knowledge with respect to the exploration and development of mining properties in Spain, government regulation of mining operations and exploration operations, timing and receipt of approvals and licenses under mineral legislation, the Company's local partners, and environmental risks and title disputes. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "believes", or variations (including negative variations) of such words and phrases, or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, risks associated with the Company's dependence on the mineral projects; general business, economic, competitive, political and social uncertainties; the actual results of current exploration activities; risks associated with dependence on key members of management; conclusions of economic evaluations and studies; currency fluctuations (particularly in respect of the Canadian dollar, the United States dollar and the rate at which each may be exchanged for the others); future prices of gold, copper, and other metals; uncertainty in the estimation of mineral resources; exploration and development risks; infrastructure risks; inflation risks; defects and adverse claims in the title to the projects; accidents, political instability, insurrection or war; labour and employment risks; changes in government regulations and policies, including laws governing development, production, taxes, royalty payments, labour standards and occupational health, safety, toxic substances, resource exploitation and other matters; delays in obtaining governmental approvals or financing or in the completion of development or construction activities; insufficient insurance coverage; the risk that dividends may never be declared; and liquidity and financing risks related to the global economic crisis. Such forward-looking statements are based on a number of material factors and assumptions, including; that contracted parties provide goods and/or services on the agreed timeframes; that ongoing contractual negotiations will be successful and progress and/or be completed in a timely manner; that no unusual geological or technical problems occur; that plant and equipment work as anticipated and that there is no material adverse change in the price of gold. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated, or intended. A qualified person, as defined in National Instrument 43-101, has not done sufficient work on behalf of the Company to classify certain of the historical technical information included in this MD&A, including the historical estimates of the Company's projects as a current mineral resource and the Company is not treating the historical estimates as a current mineral resource or mineral reserve. This historical information should not be relied upon and the Company cannot guarantee the accuracy of the historical data. Forward-looking statements contained herein are made as of the date of this MD&A. There can be no assurance that the forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements due to the inherent uncertainty therein.

Forward-looking information is provided for the purpose of providing information about management's expectations and plans relating to the future. All of the forward-looking statements made in this MD&A are qualified by these cautionary statements and those made in our other filings with the securities regulators of Canada and this MD&A. These factors are not intended to represent a complete list of the factors that

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could affect the Company. Western Metallica disclaims any intention or obligation to update or revise any forward-looking information or to explain any material difference between subsequent events and such forward-looking information, except to the extent required by applicable law and regulations.