

HALLGARTEN + COMPANY

Initiation of Coverage

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Western Metallica Resources (TSX-V: WMS) Strategy: LONG

Key Metrics

Price (CAD)	\$0.035
12-Month Target Price (CAD)	\$0.13
Upside to Target	271%
12mth - Low-High	\$0.03 to \$0.07
Market Cap (CAD mn)	\$2.51
Shares Outstanding (mns)	71.73
Fully diluted	99.19

Western Metallica

Corralling Past-Producing Assets in Copper

- + The company has pivoted to a copper focus with past-producing assets in Peru and in Andulucia, a resurgent mining district in southern Spain
- + The most recent additions in Peru have good closeology with projects held by majors in the near vicinity
- + The Mina Turmalina project in Peru is a past-producing copper mine
- + The Nueva Celti project in Andalucia is a past-producing base metals (mainly copper) mine
- + Spain, particularly Andalucia, is undergoing a fully-fledged mining revival
- + Copper is again surging in price, and investor interest, where each of the up-moves seem to reset the trading range (higher) even if it does not push on to repeated new highs
- ✗ Northern Spain has proven difficult for gold developers due to local opposition
- ✗ The environment for funding exploration remains mixed with investors looking to pick winners not just perpetual drillers going thru the motions

Nimble

Recent years have seen, in mining markets, a series of wake-up calls where various metals, one by one, have finally been realised to be in finite or potentially short supply (examples being Tin, Tungsten and Antimony). Bulls have long posited the potential risks of this in their favored metals, but it has taken shocks or poignant events to finally propel metals out of the price ranges in which they appeared to wallow.

Copper finally (seemingly) joined this group of Rip van Winkle metals, having spent most of the last twenty years unable to break through its highs of 2005. Talk of the EV revolution underpinned much theorizing in recent years, but the reality is that there is nothing like a shortage of new capacity build to ultimately change the dynamics for any metals and this has finally come to the fore in general attitudes towards copper and the metal has powered towards new highs.

Western Metallica Resources was primarily known to the markets for its projects in Spain, but it swiftly pivoted in late 2023 towards Peru, where Copper-Moly targets are in its sights.

The map on the following page shows the spread of Western Metallica's projects globally, though the gold projects in northern Spain are currently open to offers.

In this Initiation we look at the company's original focus, then its most recent pivot towards copper in Peru and the implications of this in light of the resurgent copper price.



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Background

The original portfolio of projects was based in northern Spain in the Navelgas Gold Belt, with one of the assets coming from Emerita Resources (TSX-v: EMO), a company with which many of WMS's founders had previously been involved.

Later, WMS and Emerita entered into an option agreement on the 4th of May 2020 pursuant to which Western Metallica gained an option to acquire 55% of the Sierra Alta Gold Project in the Navelgas Gold Belt. This option involved WMS incurring at least \$500,000 in mineral exploration expenditures on the Sierra Alta Project prior to the 31st of December 2022.

Western Metallica gained its listing on the TSX Venture in 2022, with the trading symbol WMS. This was achieved via an RTO into Orcus Resources, a capital pool company incorporated under the laws of the Province of British Columbia. The entity was originally put together under the aegis of PI Financial.

WMS therefore listed with three gold projects in Asturias, and Nueva Celti, a past-producing base metal project in Andalucia. As noted, the company has since moved into Peru in the search for copper (and molybdenum). The Peruvian assets have moved into pole position so we shall review these first.

Projects - Peru

The main priority for WMS at this stage is its targets in Peru. In August of 2023, WMS acquired mineral claims, rights and interests in two copper-molybdenum porphyry prospective projects: Caña Brava and the past-producing Turmalina Mine. Both located near the coast with good accessibility surrounding current claims allowing for future project scalability.

These projects are regarded as prospective for copper and lie on the Upper Cretaceous and Miocene (northern Peru-Ecuador) Cu-Mo porphyry belt, respectively. These occurrences extend for at least 900 kms along the Western Cordillera and the adjacent high plateaus province, defined by a large number of hydrothermal mineral deposits of different types.

Major players like Rio Tinto, First Quantum and Hudbay Minerals are operating in the vicinity of Caña Brava and Turmalina, further reinforcing the prospectivity of these projects.

The Llaguen Cu-Mo deposit of Hudbay is the closest major project to Caña Brava being located approximately 15 km to the east. The Llaguen deposit hosts shallow mineralization over a 1.3-km strike length, with shallow high-grade mineralization, and has an indicated mineral resource estimate totaling 271 million tonnes at 0.33% Cu

These prospective polymetallic projects lie within a copper-porphyry region that has seen notable

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exploration and production success, on the Miocene Cu-Mo porphyry belt which extends from Northern Peru into Ecuador and hosts large deposits such as La Granja (First Quantum), Cañariaco (Alta Copper), and Rio Blanco (Zijin Mining Group).

The Peruvian Transaction

These assets were embedded in Consolidated Copper Corp., a private Canadian-based firm. In early August of 2023 the company agreed to acquire 100% of the issued and outstanding shares of Consolidated Copper for an aggregate consideration of:

- 20,000,000 common shares of WMS
- 5,000,000 common share purchase warrants

The terms of the warrant are that each one entitles the holder to acquire one additional common share at an exercise price of \$0.10 until the earlier of:

- (i) the date that is one year from the date of issuance, and
- (ii) within twenty days of the company providing such holder with written notice accelerating the Warrant expiry date, provided that that the daily volume weighted average price (or closing bid price on days when there are no trades) of the common shares on the TSX Venture is at least \$0.15 for a minimum of twenty consecutive trading days prior to such written notice from the Company being provided.

Caña Brava

This project is located in the province of La Libertad in northern Peru. It is regarded by management as being highly prospective for copper-molybdenum mineralisation.

The project area is located at an elevation of 1,500 metres in the La Libertad Department of northern Peru. The project area is only 35 kilometers inland from the Peruvian coast in the western Cordillera of the Peruvian Andes. It is comprised of six exploration concessions across 2,800 hectares, plus three newly-staked extensions of exploration concessions totaling 5,700 hectares.

This project has evidence for historic copper-gold workings, from a cluster of at least two partially eroded porphyry centres (Luz Maria, Caña Brava 1), with a geological target in the order of a potential 500-1,000mn tonnes of above average grade mineralized rock.

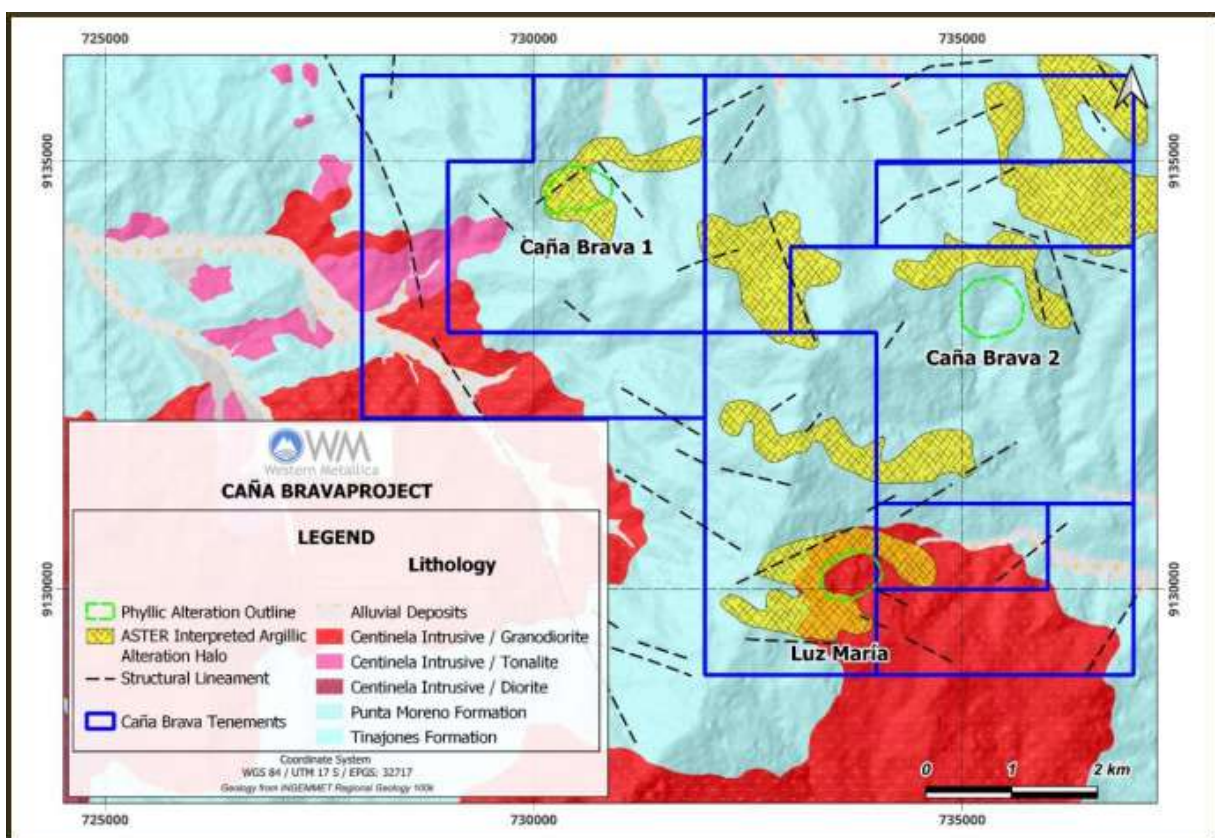
The Llaguen Cu-Mo deposit of HudBay is located approximately 15 km east of Caña Brava. The Llaguen deposit hosts shallow mineralization over a 1.3-km strike length, with shallow high-grade mineralization, and has an indicated mineral resource estimate totaling 271 million tonnes at 0.33% Cu.

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Geology

The Caña Brava project area hosts three known partially eroded porphyry centres:

- **Caña Brava 1** is a well-defined 800-metre by 600-metre sized porphyry centre located on the Northwestern sector of the project, preliminarily mapped by Compañía Minera Anaconda in the 1990's
- **Caña Brava 2** is on the Northeastern sector of the project area
- **Luz María** is located in the Southern sector of the project area



The company believes that there is potential at Caña Brava for a cluster of medium-sized porphyry copper-molybdenum systems of above average grade.

At the westernmost (El Sausal) porphyry center, concentrically arranged propylitic, phyllic and potassic alteration have been mapped over an area of at least 800 metres x 600 metres, with visible copper and molybdenum mineralization associated with stockwork-style quartz veining present in the topographically lowest parts. The technical team considers that the existence of a well-developed supergene enrichment profile at El Sausal suggests possible enrichment of copper grades near surface.

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Exploration Thus Far

Apart from first pass mapping work, the project has never been explored by systematic modern exploration and no drilling has ever been executed to test the porphyry centres.

In October of 2023 the company signaled its intention to commence its exploration field activities at Caña Brava during the second half of October, which will include mapping supported by Short Wave Infra-Red (SWIR) spectrometry analyses. These activities will be aimed at outlining the extent of the porphyry related alteration, the potential lateral and vertical zonation, defining potential controlling structures and favourable host lithologies, as well as systematic rock sampling aimed at defining anomalies and vectors to the mineralized centres.

Based on initial interpretation of collected data, Western Metallica believes there is potential at Caña Brava for a cluster of medium-sized porphyry copper-molybdenum systems of above average grade.

The Luz Maria Target

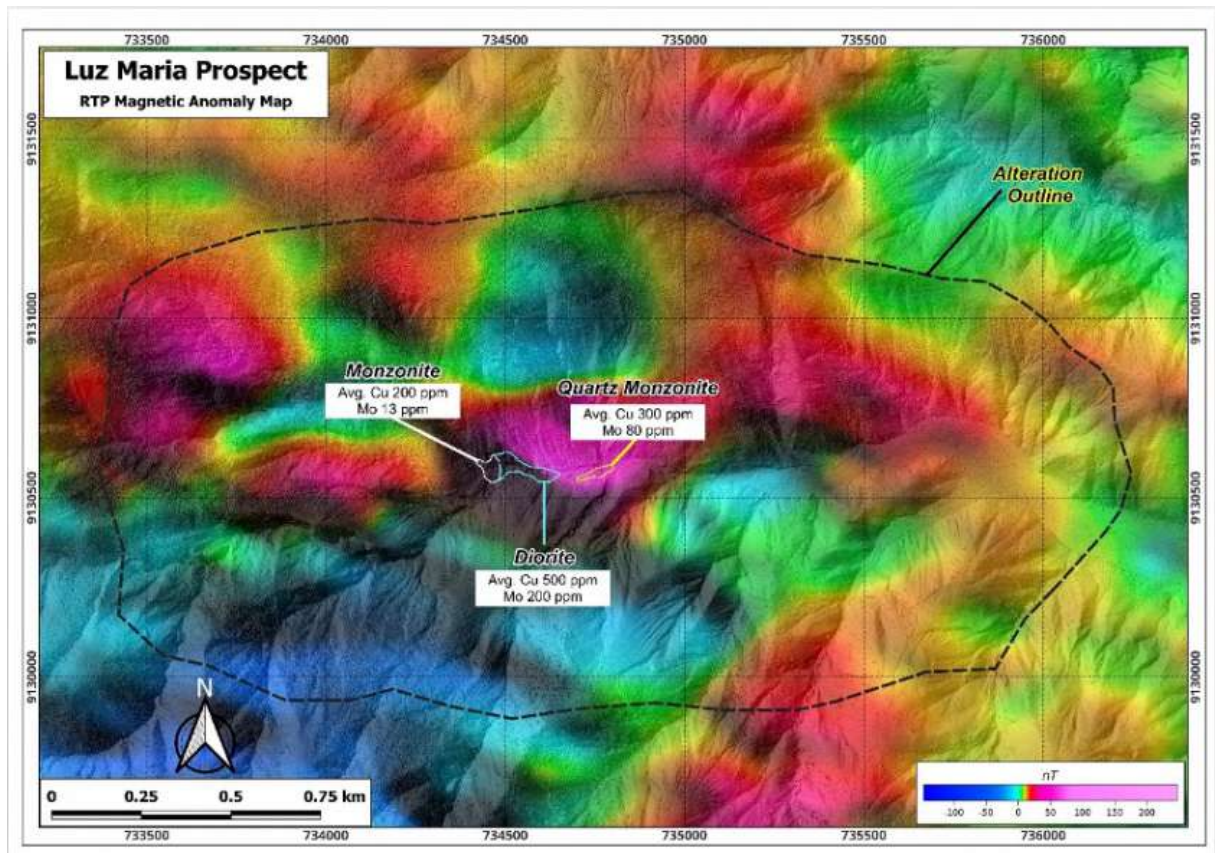
This is the first of the discoveries made by WMS at the Caña Brava project, with the Luz Maria target being located in the South-Eastern sector of the project area. Luz Maria is a well-preserved porphyry target with multiple mineralized intrusion events and an estimated ~3 km by ~1.5 km potassic and phyllic alteration footprint. This is regarded as being comparable to other porphyry deposits in Peru, such as Southern Copper's Michiquillay Cu-Au-Mo deposit.

During 4Q23, the geological team collected 126 rock chip and 46 diamond-sawn channel samples with variable lengths between 1 metre and 1.5 metres of continuous samples. Results from representative channel samples from outcrops at the bottom of a creek confirmed that at least three intrusion phases host Cu and Mo-sulfide mineralization averaging 500 ppm Cu and 200 ppm Mo as well as anomalous Cu, averaging 300 ppm, from the quartz sandstone. The possible lateral extensions of these intrusions are covered by both sedimentary units and Quaternary colluvium.

In January of 2024, the company reported that recent geochemical and drone-borne magnetometry surveys have confirmed a ~2.7 km by ~1.5 km potassic and phyllic alteration, typical of Andean Cu-Mo porphyry systems, associated to magnetic anomalies and consistent copper grades up to 700 ppm Cu (0.07% Cu) and 600 ppm Mo (0.06% Mo).

The geophysical results at Luz Maria, consistent with field mapping, confirm the potential for a large porphyry Cu-Mo cluster under the sedimentary and colluvial cover, providing valuable targets for further exploration. The company is now planning a follow-up IP/Resistivity survey to further define the porphyry centres and drill targets.

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The **Caña Brava 1** prospect is located in the Northwestern sector of the project. This well-preserved ~1 km by ~1 km sized porphyry target was the object of a reconnaissance sampling program in 2015, conducted by Agregados Minerales Industriales SAC, consisting of 27 assayed samples that averaged 0.1% Cu, with grades up to 0.8% Cu. Mapping indicated the potential existence of a well-developed supergene enrichment profile. Recent processing of remote sensing data revealed the presence of wider advanced-argillic, phyllic and propylitic alteration zones which have yet to be mapped.

The porphyry target characterized by a distinctive leached zone with goethite and hematite box works. Western Metallica has collected 35 rock chip samples at Caña Brava 1 and confirmed grades up to 0.4% Cu from the sedimentary rocks, and average 500 ppm Cu from the intrusive rocks.

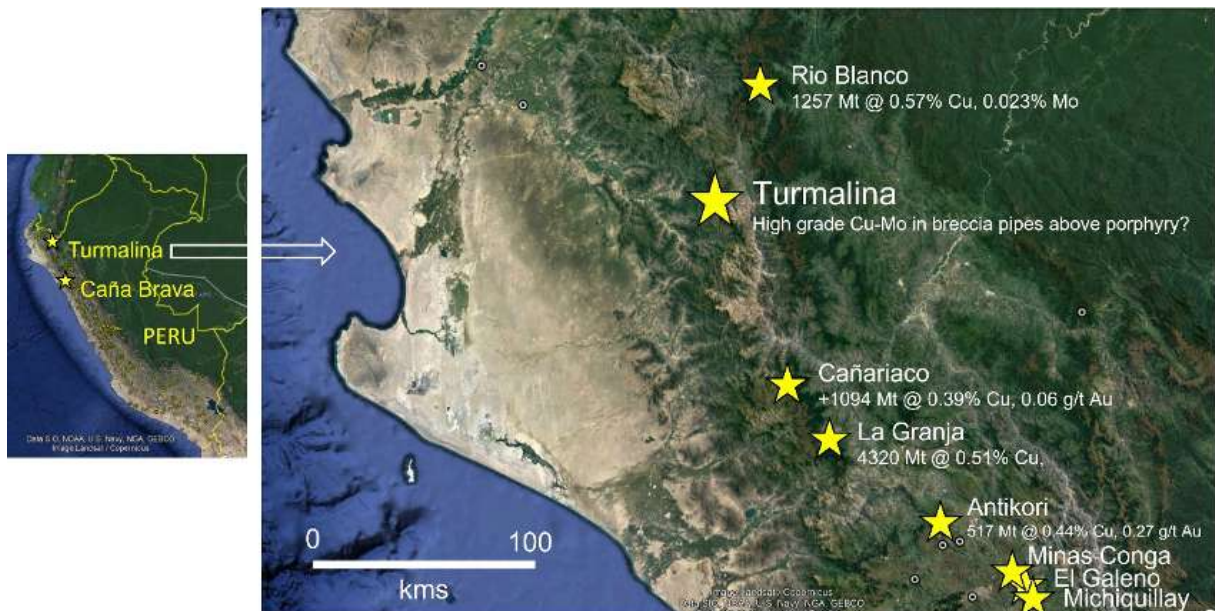
Turmalina

The 2,750-hectare Turmalina Project that is system located in the Piura region of northern coastal Peru, approximately 170 kilometers by road from the Pan-American coastal highway to the west. The project is located at an elevation of 2,600 metres in the western Cordillera of the Peruvian Andes.

The map below shows other major projects in relative proximity to WMS's project. The Rio Blanco mine

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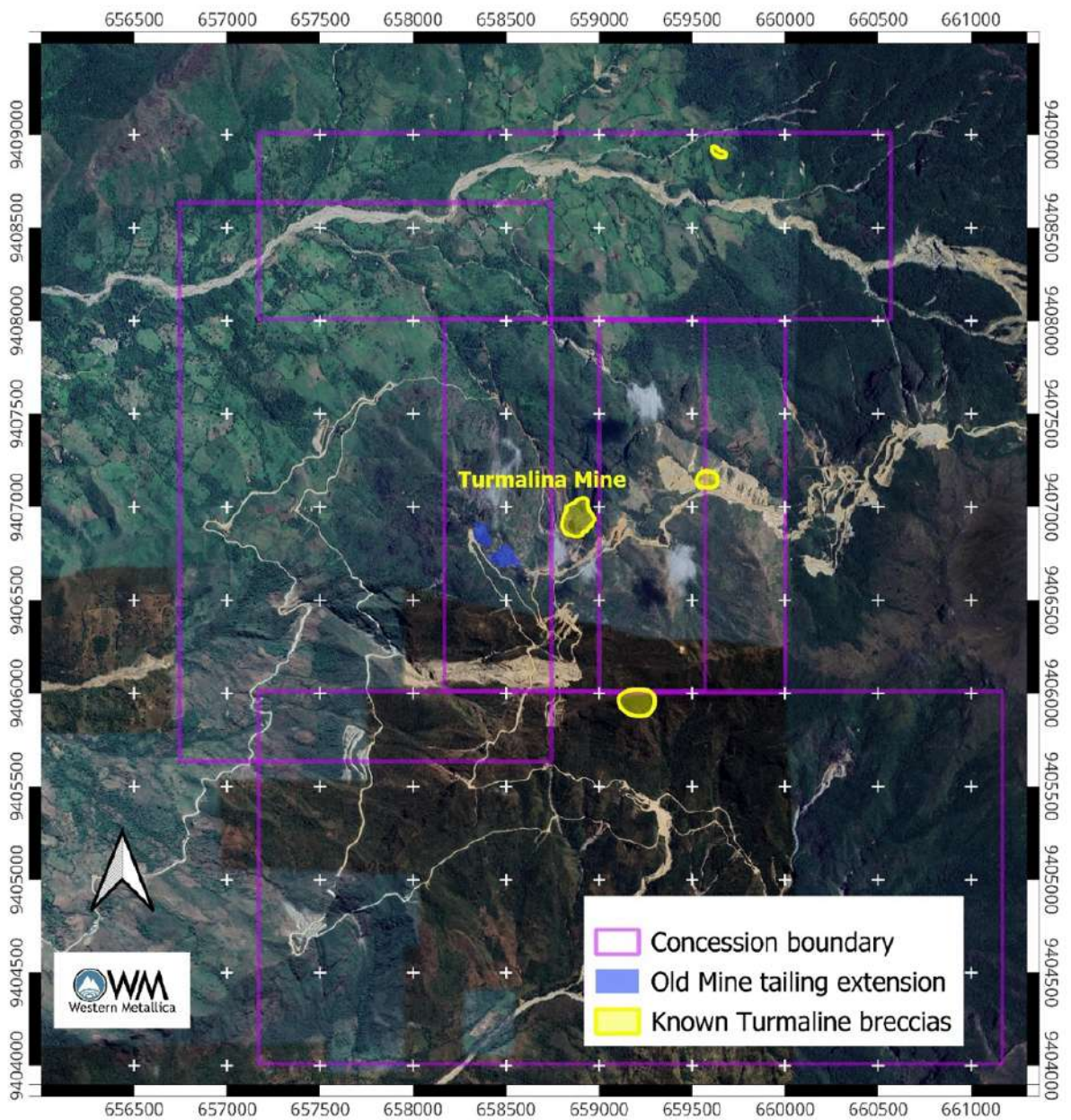
pertains to the Chinese major, Zijin, Cañariaco belongs to Alta Copper (TSX: ATCU), La Granja is a JV between First Quantum Minerals and Rio Tinto, while Antakori is being explored by Regulus Resources (TSX-v: REG).



This project is comprised of seven exploration concessions across 1,950 hectares, plus two newly staked extension of exploration concessions for 800 hectares. These cover both the past-producing Mina Turmalina and what the company's team regard as a highly-prospective breccia-hosted system with potential discovery for a very large porphyry copper-molybdenum system of good grade in the order of 500mn - 1,000mn tonnes of mineralized rock.

The Mina Turmalina is a historic, high-grade copper-molybdenum producing mine from one of three known breccia pipes, with a high probability of further discovery of high-grade breccia pipes and a porphyry system at a relative depth, yet to be systematically explored or drill tested.

These breccia pipes are shown on the map that follows.



Past Production

As mentioned, Mina Turmalina is a past-producing underground high-grade copper-molybdenum mine situated in the Cordillera Occidental, which is part of the Andean Mountain System. The geomorphology of the surrounding area is characterized by the presence of this mountain range, indicating the geological and geographical context in which the mine is located.

The past-producing mine was focused on one of these breccia pipes; historical development was from

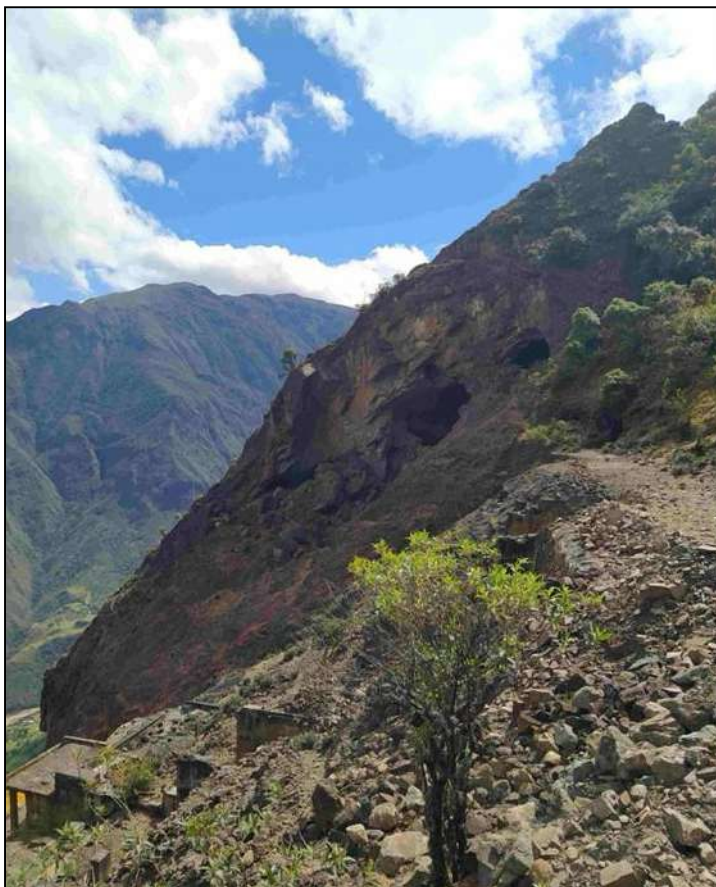
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within one of these breccia pipes, a cylindrical, semi-vertical breccia pipe about 200 metres in diameter, over at least 400 metres of vertical extent.

The historic producing mine was operated by Hochschild, and then by Peruvian mining pioneer Guido del Castillo, and had five production levels. The underground workings at Mina Turmalina consist of one shaft and four adits. The subsurface depth of the mine reaches a maximum of 100 metres (328 feet). The mining method used was overhand shrinkage. This method involves mining the ore body from the top downwards, with the rock overlying the ore body being removed as the mining progresses.

The mine was active for ~25 years from the late 1960s until the mid-1990s, producing copper and molybdenum concentrates. The mine ultimately shut down due to low commodity prices in the mid-1990s.

In 1975, the mine had a capacity to process 200 metric tons of ore per day, with a production unit cost of \$15 per metric ton of ore, indicating the efficiency and profitability of the mine during that period. As of 1978, there were two known tabular-shaped ore bodies at the Mina Turmalina. One of these ore bodies extended for approximately 600 meters (1,968 feet) in length and had a thickness of 7 meters (22 feet).



The mine is known to have had an output rate between 100 tonnes and 300 tonnes per day by the 1990s, up from less than 100 tonnes per day in the 1970s.

The mine has historically produced between two million and three million tonnes, with reported head grades of 2% Cu and 0.40% Mo and metallurgical recoveries of approximately 70% for copper and 95% for molybdenum. Historical reports indicate that the concentrates produced graded up to 35% copper and 95% molybdenum.

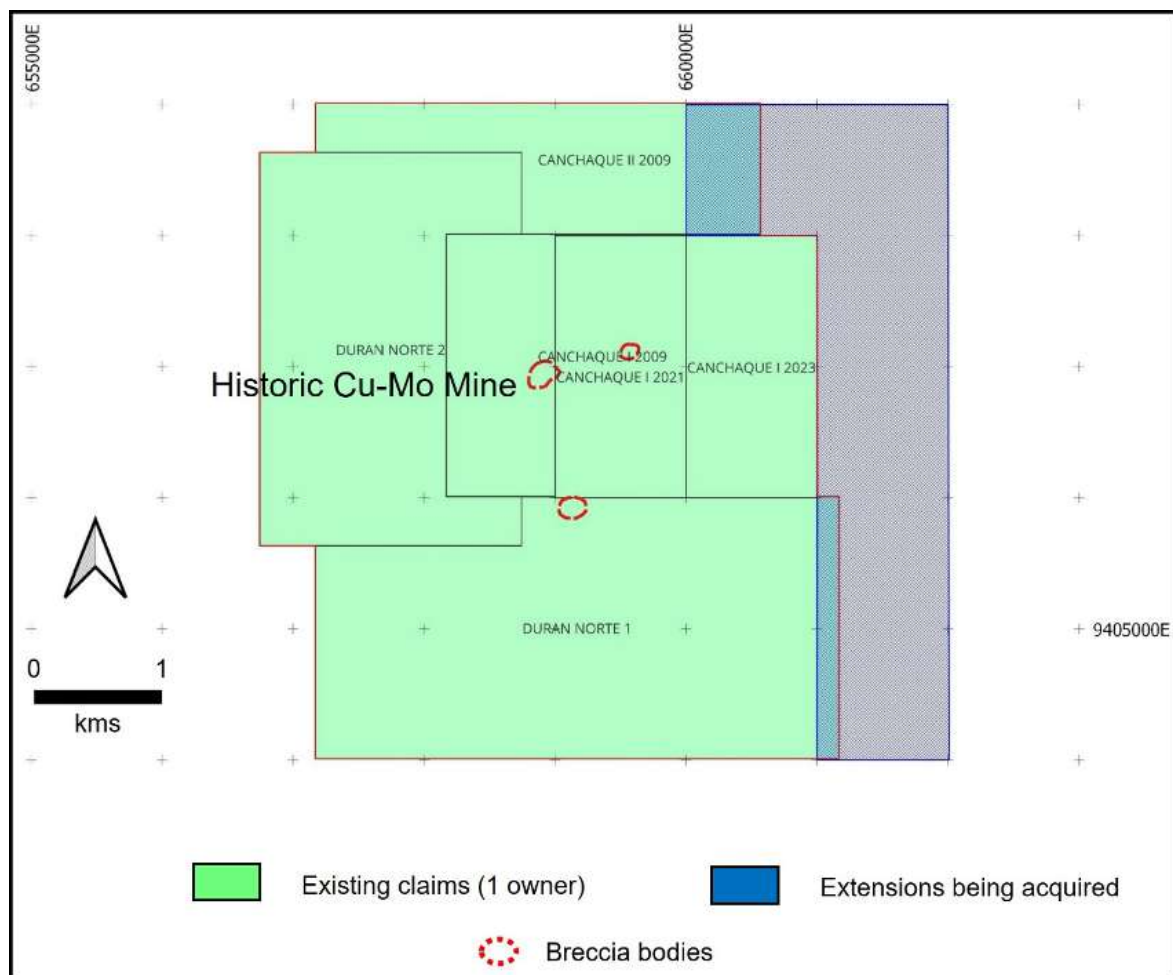
At the left can be seen the remains of concrete footings of the processing unit, while on the following page one can see the tailings pile on the left and in the image to the right can be seen the access to the adits.



Geology

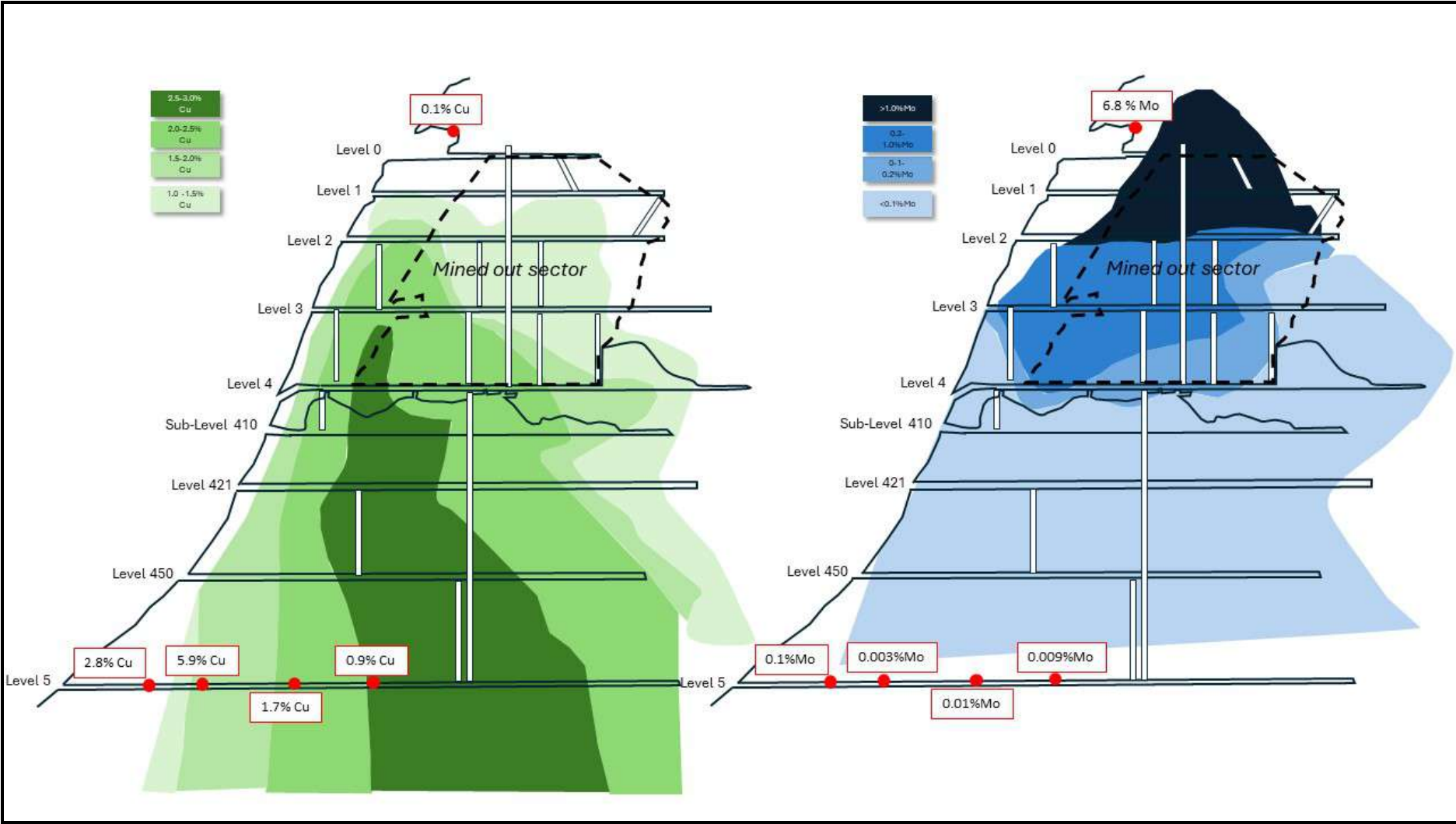
The deposit is located within a formation of igneous rock (tonalita) and has the form of a spindle. The mineralisation is molybdenite in the upper part and chalcopyrite, pyrite, arsenopyrite and wolframite in the lower part, with the copper mineralisation (chalcopyrite) being the only part that is economically exploitable.

The existence of widespread (kilometer-scale) porphyry-style phyllic alteration, sulfidic veining and numerous small quartz tourmaline breccia pipes suggests that potential exists for a very large porphyry copper-molybdenum system at depth under the breccia systems.



Exploration

There was no exploration drilling undertaken since the late 1990s, and while several breccia pipes with no historic production have been mapped on surface, they have yet to be drilled.



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There is a historic estimated reserve, dating from the mid-1990s, totaling some 305,000 metric tonnes in the Proven & Probable categories with a grade of 2.3% Cu.

Ore grades were verified in eight production levels, exploiting high-grade copper-molybdenum arranged around the borders of the breccia pipe. The company believes that there is a high chance for discovery of further productive high-grade, copper/molybdenum breccia pipes. Apart from the limited historical production from the breccia pipe, the project has never been explored by systematic modern surface exploration and no drilling has ever been executed to test the porphyry concept.

In mid-May of 2024, the company reported the results of recent rock chip sampling which confirmed the historic results, as well as fitting within the historical grade sections of the main breccia pipe, at both level 0 and level 5 (as shown on the mine x-section on the preceding page). These are the only levels that are currently partially accessible currently.

The only sample collected from a face at level 0 returned Cu value of 0.1%, Mo 6.8% with 1g/t Au and 37g/t Ag. More consistently six samples have been collected along level 5 that returned an average Cu value of 2.9% (max 5.9%) and average Mo values of 0.25%, with one sample with a maximum value of 1.3% Mo.

Projects – Spain

The original portfolio of projects is based in Spain in the Navelgas Gold Belt, with the exception of Nueva Celti. These targets are in a comparable geological environment to the significant gold deposits at El Valle-Boinas Carles gold mine (or Orvana Minerals TSX: ORV) which is in our Model Resources Portfolio) and Salave project (of Black Dragon Gold – ASX: BDG). The gold mineralization in the area typically occurs in high-grade epithermal veins and breccias, skarns and as intrusive-related gold deposits.

The four gold belts identified in Western Asturias and Galicia (in Spain northwest corner) are formed by multiple gold mineralizing events representing several styles of mineralization in a structurally complex, but favourable, terrain of Paleozoic carbonate and clastic host rocks.

The **Penedela** Gold Project is in the Ibias district, which is located at the southern edge of the Navelgas Gold Belt. The project area is comprised of ~1,900 hectares (482 hectares granted to date) with ~750 metres of strike length.

The **Valledor** Gold Project, 9 km from Penedela, comprises 1,866 hectares, covering a 6 km long by 5 km wide area.

We dwell on these only in passing as the company could very well on-market these opportunities and

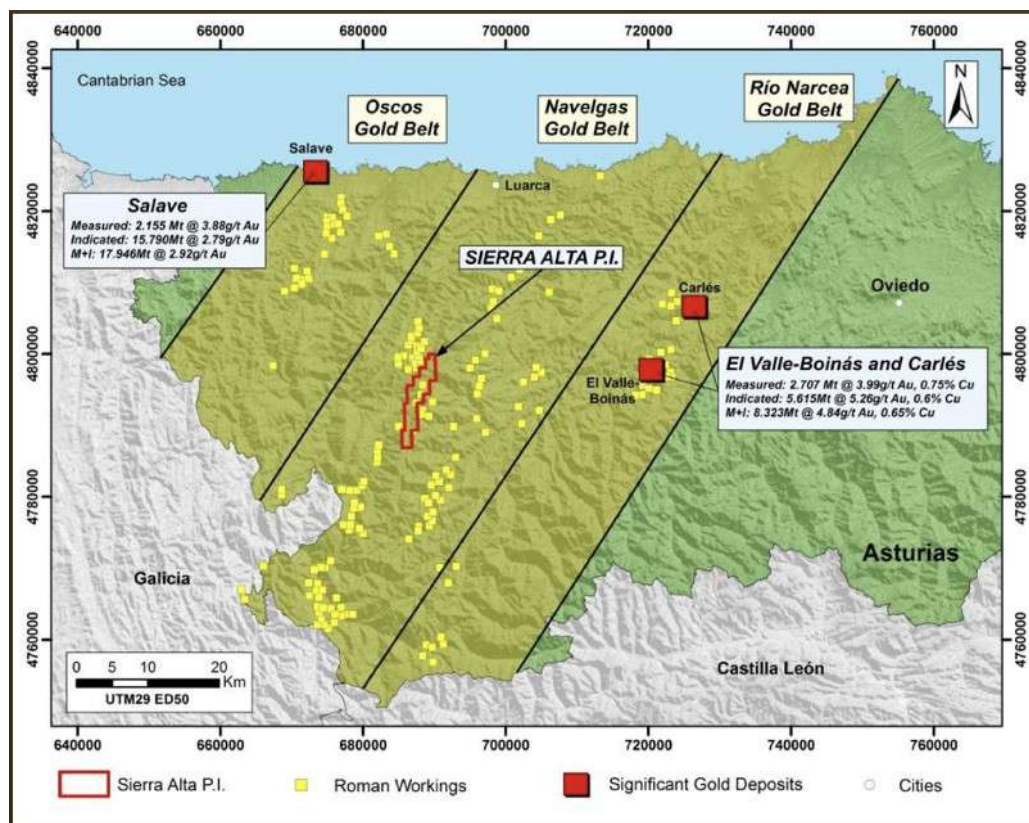
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the focus in Spain is now on the Nueva Celti past producing copper mine in Andalucia.

Sierra Alta

The Sierra Alta Project, located in Asturias, enclosed in the Navelgas Gold Belt, is encompassed in a 90 km long by 20 km wide mineralized corridor, totaling ~2,500 hectares.

WMS holds a 55% option from Emerita Resources on this property. The property had seen historical mining activity back as far as Roman times. The company is in possession of exploration data produced by Rio Narcea Gold Mines Ltd. in the 1990's and Emerita Resources Corp. in 2016. These presented high-grade gold in rock from NS striking jasperoidal breccias.



WMS launched a first stage 500-metre, two-hole, diamond drilling program at Sierra Alta in 2H22. The whole program encompassed ten intended drill holes planned at a total depth of 200 metres, and across three main structural targets.

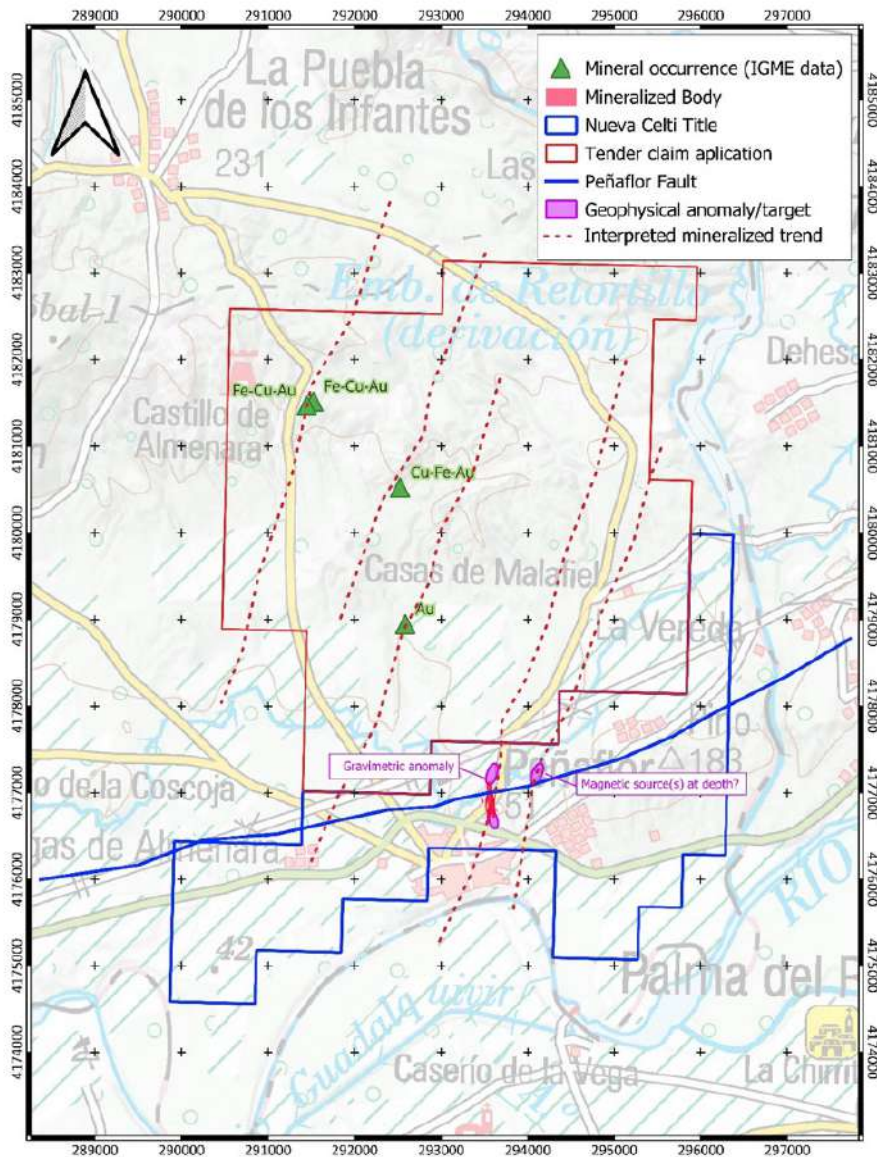
Nueva Celti

The Nueva Celti Project covering some 1,250 hectares is located in in the autonomous region of

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Andalucia, some 70 kms from Seville. Andalucia is a region where copper mineralization has been traced back to ancient times and the project is in the Ossa Morena geological belt, where the former Cala and Agua Blanca mines are also located.

Western Metallica is in the process of securing the land known as the Retortillo investigation permit, covering 5,100 hectares to the East of known mineralization at Nueva Celti. With the amalgamation of Nueva Celti and the Retortillo permit, the prospective project could span over 6,300 hectares. The map below shows the current claim blocks (delineated in blue) and those currently under application (outlined in red). While the additional areas do not straddle the Peñafior fault, they do encompass various showings (from IGME data) of gold or combinations thereof with Au and Fe.



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On the current Nueva Celti project area there were multiple producing mines (up until 1917) with significant copper production recorded, including some production grades of over 5% Cu. With the resurgence in the copper price and the Andalusian mining renaissance, this project looks the most prospective of the Spanish projects at this time.

Within the Permiso de Investigación (exploration permit) area can be found former copper-pyrite mines of the Peñaflores complex that had belonged, in its heyday to Hijos de P. López and that had been initiated at the end of the 19th century by English mining companies, namely The Peñaflores Copper Mines and The Sierra Morena Copper Mines. These mines had been abandoned around 1891.

In 1901, a new company, founded with Basque capital, called Sociedad Minera de Peñaflores, reactivated activities across a group of mines called Preciosa 1^a, Preciosa 2^a, Descuido, Bilbao, Espíritu Santo, Concepción, 2^a Concepción and Demasía a Concepción. Between 1902 and 1917/8, an underground mine was developed across two shafts to ~130 metres depth, along one vein.



Data on production covers only portions of the past workings but it is documented that in the period from 1903 to 1917-18 some 460,000 tonnes of ore was extracted (and exported) with copper production of some 20,570 tonnes with an average grade of 5% Cu.

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Geology

The oldest sediments in the study area that have been able to be dated back to the Lower Cambrian period. The beginning of the Cambrian was characterized by detrital sedimentation interspersed with volcanic eruptions, that was at its most intense at the beginning of this period. This activity is reflected in a northerly-oriented layer, in which coexist volcanic rocks, amphibolites, microgneises and later granitic intrusions.

After this phase of the greatest volcanic activity the sedimentation continued, up until the beginning of a phase of detrital sedimentation, which signaled the beginning of a regressive phase that ended before the conclusion of the Lower Cambrian period.

After the sedimentation of these materials, the Hercynian Orogenic phase commenced, that imprinted three fundamental effects: of a tectonic nature, intrusives and metamorphism.

The later layers of sediments are continental, of a fluvial nature, and are constituted by the riverine terraces of the Guadalquivir River. Over the length of the Quaternary period the river had four different channels, at different elevations.

The material that abounds in the deposit and its surroundings are mainly constituted of slates and metamorphic schists (from the aforementioned sedimentary and volcanic periods) with the layers being very folded over time.

The mineralisation with a predominance of chalcopyrite is very regular and composed of three superimposed lenticular formations. These run North-South and are roughly 170m by 60m.

Exploration

The first exploration since the closure in 1917-18, seemed to have occurred in 1972 -1973 and was undertaken by Compañía Astur-Placer and consisted of seven drillholes for a total of 1,594.8 m.

The results of these drillholes were:

n° 1	307 metres	1.99% Cu, including 32.5% over 6 metres
n° 2	230.31 metres	diverse mineralisations, but of no importance
n° 3	302.62 metres	indications but at less than 1% Cu
n° 4	150.13 metres	sterile
n° 5.	246.04 metres	sterile
n° 6	207 metres	sterile
n° 7	151.7 metres	sterile

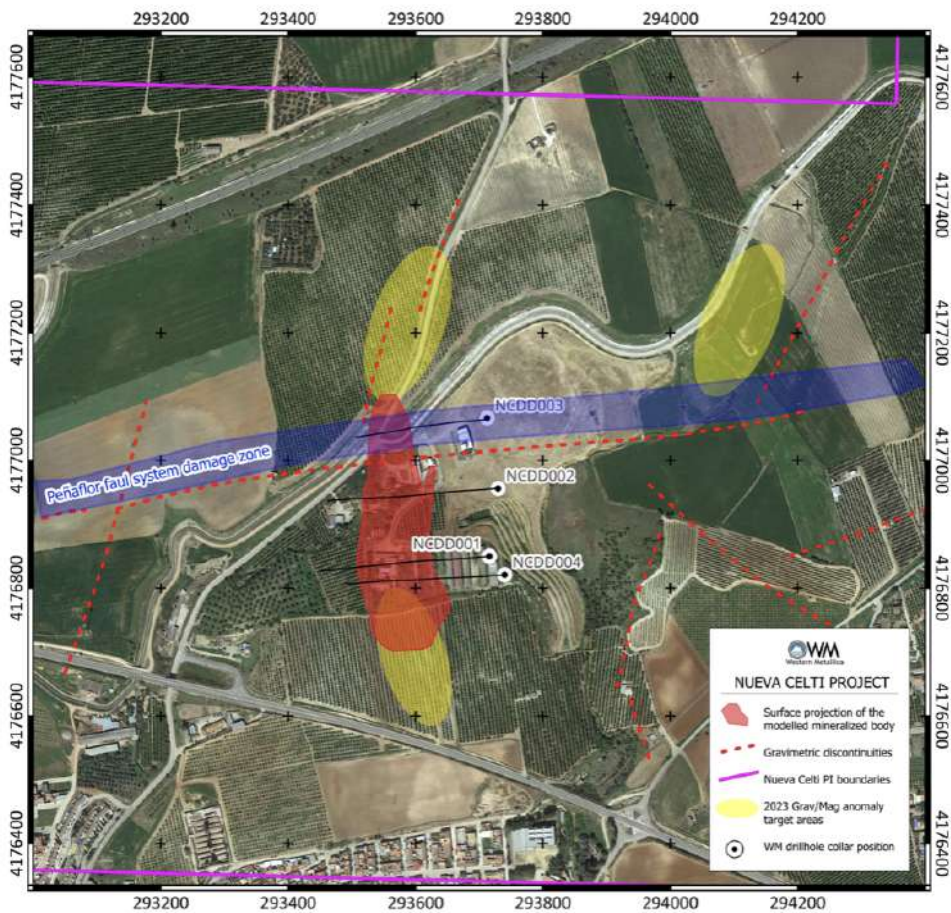
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No reserve calculation was made from these results and Compañía Astur-Placer was dissolved.

In the period 1974-1975, Compañía Astur-Minera (a JV between Asturiana de Zinc, Unión Miniere: & Fina Ibérica) carried out 20 drillholes for a total of 6,043 metres. The longest of these was 482m.

The outcome of that campaign was the calculation of a historical “reserve” of around one million tonnes of copper-rich mineral, divided in blocks of 500,000 tonnes each (and separated by a fault). The grade was calculated at 2.5% Zn, 3.6% Cu and 0.9% Pb. The greatest proportion of this being copper-rich mineral.

The technical team of WMS reviewed and compiled historical data, including the review of the diamond drillholes executed by Asturiana de Zinc in 1974-75. This company was later acquired by Xstrata which, in due course merged with Glencore.



Recent Work by WMS

In the first instance, WMS conducted data interpretation and validation, including the coding of all

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historical drillhole information from the 1970’s programs to generate a working 3D model to support a drilling plan and target generation. It then undertook geophysical tests across the structure to generate drill targets, including the acquisition of typical recognition, low-cost, self-potential data acquisition across the “historical” IP anomalies, which effectively detect the target structures, in combination with simple lithological and structural context that in VMS environments provide robust information.

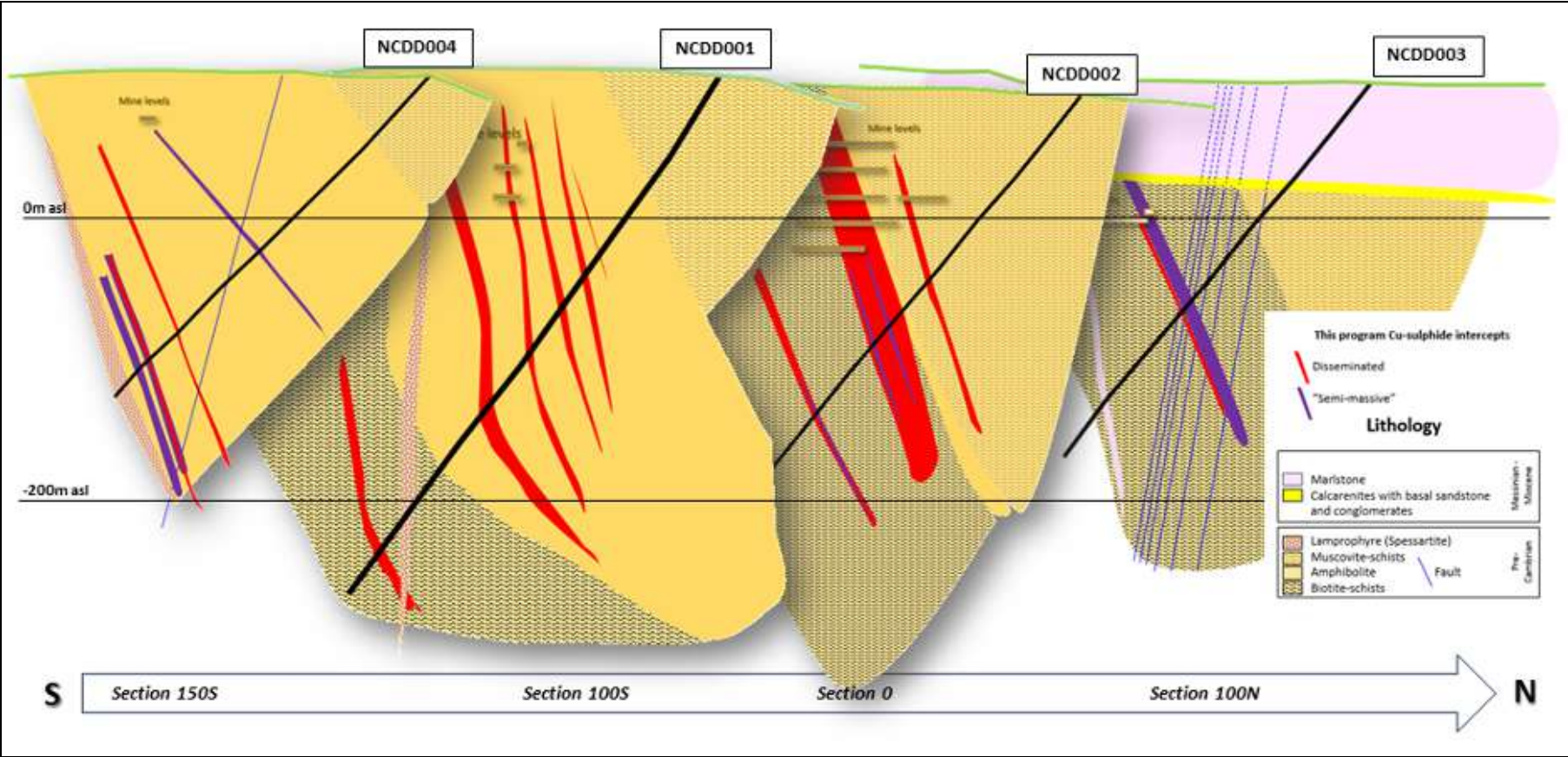
In 2Q23, WMS initiated a two-phase diamond drilling program amounting to 3,000 metres at Nueva Celti. Results of the first phase of drilling included:

- 4.55 metres at 2.6% Cu in NCDD001
- 26.05 metres at 1.5% Cu in NCDD002
- 7.40 metres at 0.6% Cu in NCDD003
- 1.65 metres at 1.7% Cu and 5.95 metres at 0.7% Cu in NCDD004

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	196.50	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
NCDD002	198.35	212.00	13.65	0.4	-	-	3.2	-
	219.75	245.80	26.05	1.5	1.8	0.4	27.6	0.7
	290.65	299.00	8.35	1.0	1.2	0.2	17.1	0.6
NCDD003	186.70	194.10	7.40	0.6	0.2	-	5.7	0.2
NCDD004	180.65	182.30	1.65	1.7	5.1	1.7	30.8	0.5
	265.20	269.95	4.75	0.4	-	-	1.2	-
	295.50	301.45	5.95	0.7	1.1	-	7.2	0.6
	307.30	312.05	4.75	0.4	0.1	-	3.1	0.2

* EXPLORATION PHASES (METRES, LOCATION, TIMELINES) ARE PLANNED AND SUBJECT TO CHANGE BASED ON INITIAL EXPLORATION RESULTS

On the following page is a cross-section of the first four drill holes.



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Results of all four holes are meaningful as they equally indicate intersections of copper sulphide mineralization, over multiple intervals, predicting a broader high-grade copper mineralized trend and substantiating the historic data on Nueva Celti.

These results, in the technical team's opinion, prove the on-strike continuity of the mineralization for ~300 metres, thus far, and intersected multiple intervals of significant copper mineralization in massive sulphides.

As mentioned earlier, WMS is in the process of securing the land covering the potential repetition toward the East of the same-trending mineralization, with the application of the Retortillo investigation permit.

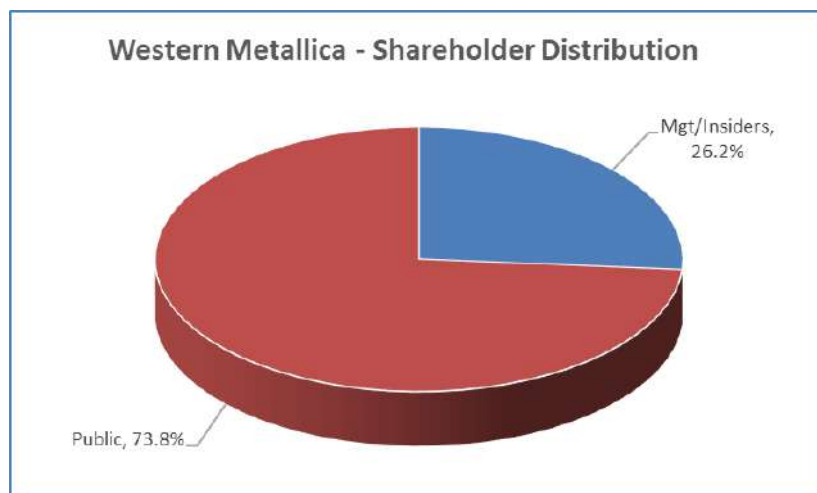
The company now describes Nueva Celti as its priority copper project in Spain due to initial drill hole results that demonstrated comparability to the vast amounts of regional and historical data, as well as high quality infrastructure on and adjacent to the property.

The Future of the Gold Division

As noted earlier, WMS began life with a focus on gold in Northern Spain. As things have evolved the company's focus has moved south and into base metals/polymetallics. The future of this division is thus most likely divestment with a carried interest/NSR.

Shareholders

The largest shareholder of note is the CEO, Gregory Duras, with a holding of 12.2mn or 17.01% of common shares outstanding. Other insiders include Joaquin Merino (Director) with 4.93%, Paul Pearson (Director) with 1.31% and Peter Imhof (Chairman) with 2.98%.





Source: [Macrotrends.net](https://www.macrotrends.net)

Wednesday, May 29, 2024

Copper: Finally Breaking Free

It could be said that “those who live by the EV Revolution story, die by it”. It is understandable that Lithium and Graphite promoters should flog the EV story to death, but Copper companies never needed to do this to sing the praises of the Red Metal and its good long-term outlook. While we have not seen any reliable pie chart on what proportion of copper production goes to EVs we would posit it must be well under 10%, thus the idea that EVs are the tail that wags the dog is a stretch.

For a few brief moments, it looked like we might have been on the cusp of a Commodity Supercycle 2.0, but the Russian invasion of the Ukraine and the global outbreak of inflation (and the cure being higher interest rates) has put paid to that dream.

Nevertheless, we have definitely seen a lengthy period of underinvestment in copper exploration and capacity, and this has laid the ground for a supply crunch. Below \$3 there was little incentive to build new mines and below \$2.50 (pre-November 2016) there was no incentive to explore either as despair was the only sentiment around.

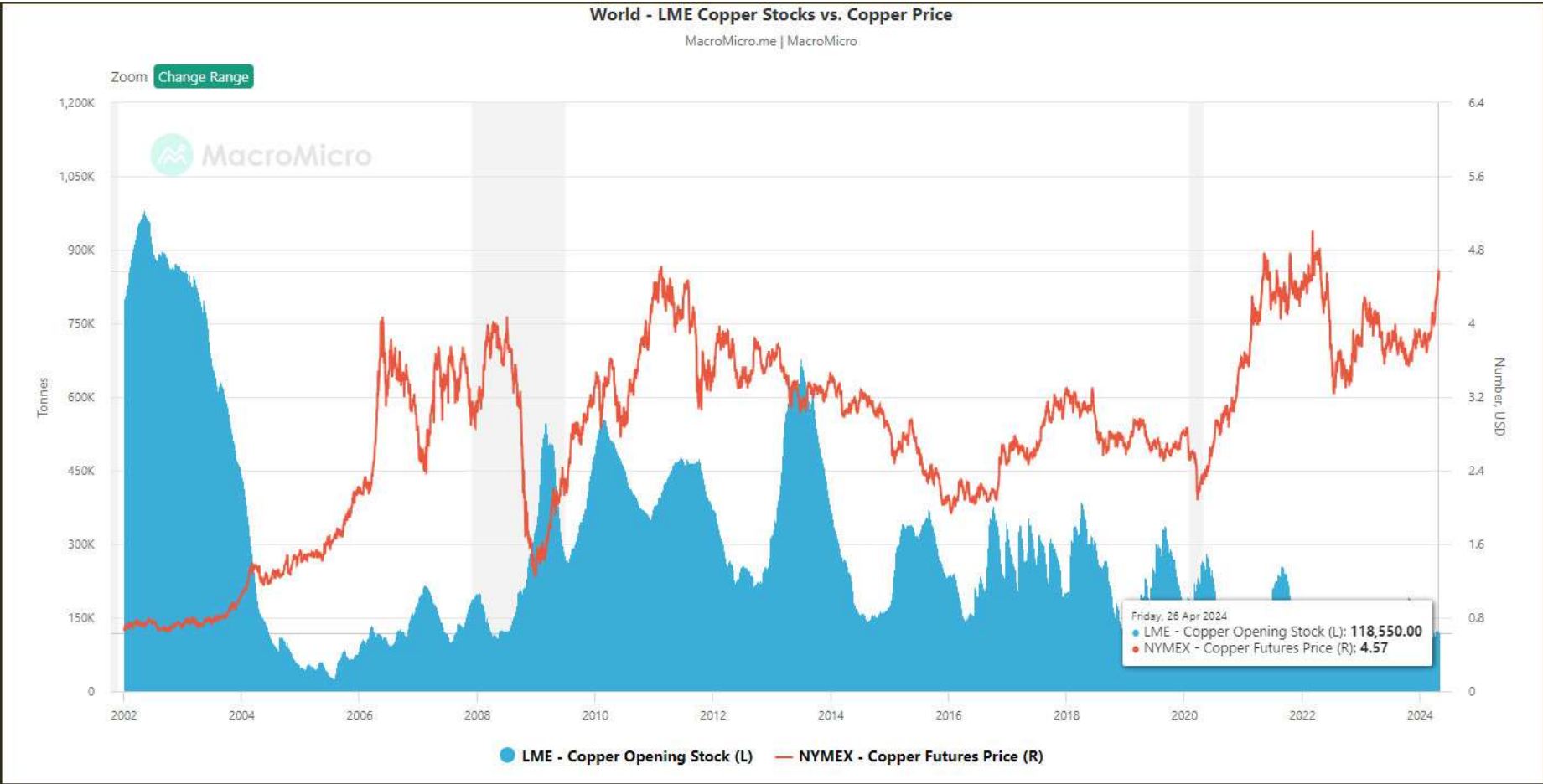
The 45-year chart on the preceding page is illustrative. Not many think about dampening effect on development that decades of static, or rangebound, prices have had. Essentially the post-WW2 dominance of Chile and Zambia/DRC in the copper space produced decades of cheap copper production from high-grade mines that left little incentive for developing new mines, particularly in locations where instability was a factor (and yes, Chile was once hyper-unstable). The copper price reached its “recent” nadir in 2001 at 61 cents per lb, just two weeks before 9/11. The rest is history.

A similar phenomenon was seen in gold where not just the US government’s gold peg, but the cheap labour provided by apartheid in South Africa resulted in gold being similarly static with no impetus for change.

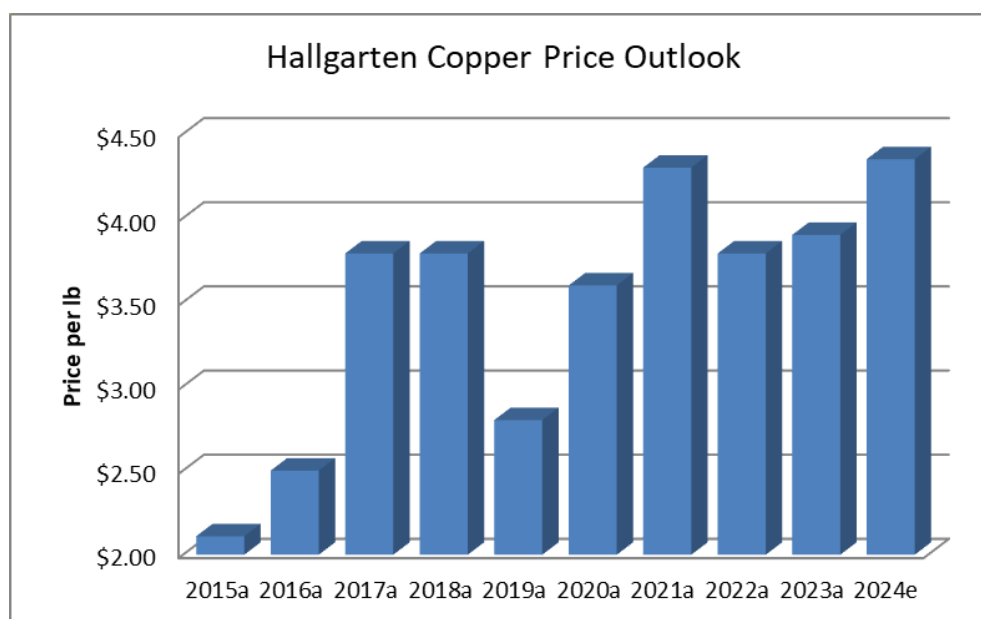
In 2016, the price started to pull out of the swoon it had been in largely since 2008. It started a virtually unchecked march higher until it breached the \$3 per lb level. Then the price plunged to a five-year low on the outbreak of the pandemic. In 2020 copper then “turned on a dime” going from a low of \$2.50 to over \$3.50, showing that the metal has the potential to move far and fast. It then powered on to nearly \$5 per lb.

Unfortunately, the price was sustained above \$4 for only a year. If it had held longer, it would have greenlit those few projects sitting on the launch pad without precipitating a production surge because there is not that much capacity to “turn on” and the unbuilt potential is small and a long way from actualization. It did, however, prompt the appearance of (and funding thereof) various explorers such as Western Metallica.

The following chart shows the LME warehouse stocks against the price. This shows an interesting seesaw action in recent times with lower lows in warehouse stocks after each “rebound”.



Unlike metals like Zinc/Lead and Nickel, there was some copper mine development during the downtime (e.g. Las Bambas, Oyu Tolgoi, Constanca etc.) but this was nowhere near sufficient to replace mines that had exited or reduced production and deal with even conservative forecasts of growth in consumption.



As the chart above shows we are still relatively bullish on the copper price outlook for the end of 2024, despite the last two years having been relatively disappointing for bulls of the red metal.

The Copper price establishing itself between the current levels and \$5 per lb is a sound scenario and we view any price over \$3.50 as a good place to be for copper miners and it ensures that mines with fair grades and CapEx numbers “within the ballpark” will be seen as doable and desirable. This then will have knock-on benefits for those junior explorers trying to fill the pipeline with new projects and resources.

Directors & Management

Peter Imhof, Executive Chairman, has over 23 years of experience working in the asset management business as lead manager or co-manager of over \$1.5bn in assets specializing in the Canadian Small Capitalization sector. Previous roles included Managing Director at Sceptre Investment Counsel (bought by Fiera Capital), Investment Strategist at Sprott Asset Management and Vice President at AGF Management. Mr. Imhof’s expertise lies in funding small capitalization companies to take them through their next stage of growth. He is a Chartered Investment Manager.

Greg Duras, Chief Executive Officer, Corporate Secretary & Director, has over 26 years of experience

working in the resource sector and over 10 years of experience working as Chief Financial Officer for various publicly traded companies most recently working for Savary Gold Corp., a gold exploration company operating in Burkina Faso, which was acquired by Semafo Inc., and for Avion Gold Corp. which had mining operations in Mali and Burkina Faso. He served as Vice President of Finance and Administration at S.C. Rosia Montana Gold, a mineral exploration and mining development company based in Romania, and for Emerita Resources, based in Seville, Spain as CFO. From October of 2020 until its takeover (by IsoEnergy) in late 2023, he was CFO of Consolidated Uranium (which we covered in our Uranium Review of last August). He was appointed CFO of Northern Superior Resources Inc. (TSX-V: SUP, OTCQX: NSUPF) in December of 2023. He has a Bachelor of Administration from Lakehead University and is a CPA.

Joaquin Merino, Managing Director, Spain & Director, is a geologist with 25 years of progressive experience in exploration, mining and business development obtained in the Americas, Asia Pacific and Europe. More recently, over the last five years, he has been providing services to the mining industry as a consultant. Prior to that he was Vice President Exploration for Primero Mining., focusing on exploration strategies and evaluating opportunities around the world. From 2006 to 2010, he also held the position of VP Exploration for Apogee Silver and prior to that he was the exploration manager for Placer Dome at Porgera Mine, in Papua Nuigini. Earlier in his career, he worked as exploration geologist in different roles of increasing responsibility in Spain for Cominco Resources and Placer Dome; and in Chile, Peru and Venezuela for Hecla Mining and other exploration Canadian companies. He holds a Masters degree in Sciences from Queens University (Ontario), and a Bachelor degree in Geology from University of Seville (Spain).

Dr. Paul Pearson, non-executive director, is a specialist structural and economic geologist with over 35 years of diverse exploration experience throughout regions including Australasia, Latin America and Northern Africa. He has extensive leadership experience in exploration programs across diverse geological environments, including the advancement of a number of Canadian and Australian, Peruvian-focused, junior exploration companies. His previous operational involvement in Peruvian mineral projects such as El Misti Gold Ltd.'s discovery of Sinchao (Antakori), a Cu-Au resource in Cajamarca, and Alturas Minerals S.A.'s Sombrero Cu-Au skarn project in Ayacucho. He holds an Honours Bachelor of Science and PhD in Structural Geology from the University of Queensland.

Brigitte Berneche, non-executive director, is a CPA, CA, with 15 years of experience operating with public companies in the mining and publishing sectors, as well as experience with large accounting firms, specializing in corporate tax. Since 2014, she has dedicated her time to a grass roots charity she created which provides financial assistance to families with children with cerebral palsy. She holds an Honours B.A. from the University of Toronto and sits on the board of Labrador Uranium Inc.

Giovanni Funaioli, VP Exploration, previously held senior and executive positions including project geologist with Bolivar Goldfields, MK Gold-Arlo Resources, Hecla Mining and Bolivar Gold. He is a

professional geologist with over 30 years of industry experience in mineral exploration for precious and base metals, in a variety of geological environments and mineral deposit systems. He previously acted as exploration manager for Gold Mines of Sardinia, Medoro Resources, LGL, Newcrest Mining and Perseus Mining, as well as technical manager for Gold Fields, strategic project manager for Gran Colombia Gold, and VP Exploration for Royal Road Minerals. He led the identification and discovery of significant gold resources, including Choco 10 in Venezuela, and the discovery of its satellite VBK deposit.

He holds a Master's degree in Geological Sciences (Volcanology and Geothermics) from the University of Pisa, Italy, and is Member of the Australasian Institute of Mining and Metallurgy (MAusIMM), the Society of Geology Applied to mineral deposits (SGA) and a Fellow of the Society of Economic Geologists (SEG). He is a member (EurGeol) of the European Federation of Geologists (EFG).

Risks

There are a number of potential risks that should be taken into consideration:

- ✘ That the Gold or Copper prices lose ground
- ✘ Environmental activism has led to the demise of several gold projects in northern Spain
- ✘ Political (or moreover NGO) risk in Peru evolves against miners
- ✘ Financing difficulties for exploration projects

With Western Metallica the risk is currently mainly with the copper price and secondarily with the gold price. As perceptions spread that WMS is primarily a copper explorer then it will detach its fortunes from gold's fluctuations. Our premise is for copper to stay roughly in a band between US\$3.80 and US\$4.50 per lb for several years to come.

Out of the jurisdictions in which WMS operates, Andalucia is very positive, as is Peru. In northern Spain, the progress of projects is very dependent upon "local" sentiment but frequently this also has non-locals (i.e. activists) weighing in with uninformed opinions. The degree to which they get traction depends upon the attitude of the government in the province more than at the national level.

In northern Peru, activism by disgruntled local populations has been a factor in the evolution of some mines (largely after they are in operation and with some justification on the part of the dissidents). Attention to local sensitivities is key and that really depends on the level of corporate attentiveness to ESG with the nearby settlements. At the national level Peruvian governments of all political stripes have been supportive of mining because it makes up such an important amount of exports and royalty revenues.

Sentiment towards gold and copper is key for the financing of exploration projects in these metals. The market is subject to rapid and unexpected mood swings on an almost daily basis. Mood is principally driven by perceptions of price in the underlying metals. Over and beyond price, a flow of positive results should help in maintaining funding levels.

Conclusion

In a market denuded of copper explorer/developers, by years of inaction and investor disinterest, those companies positioned in the space with past-producing assets (with historical resources) are few and far between. Western Metallica is one of these.

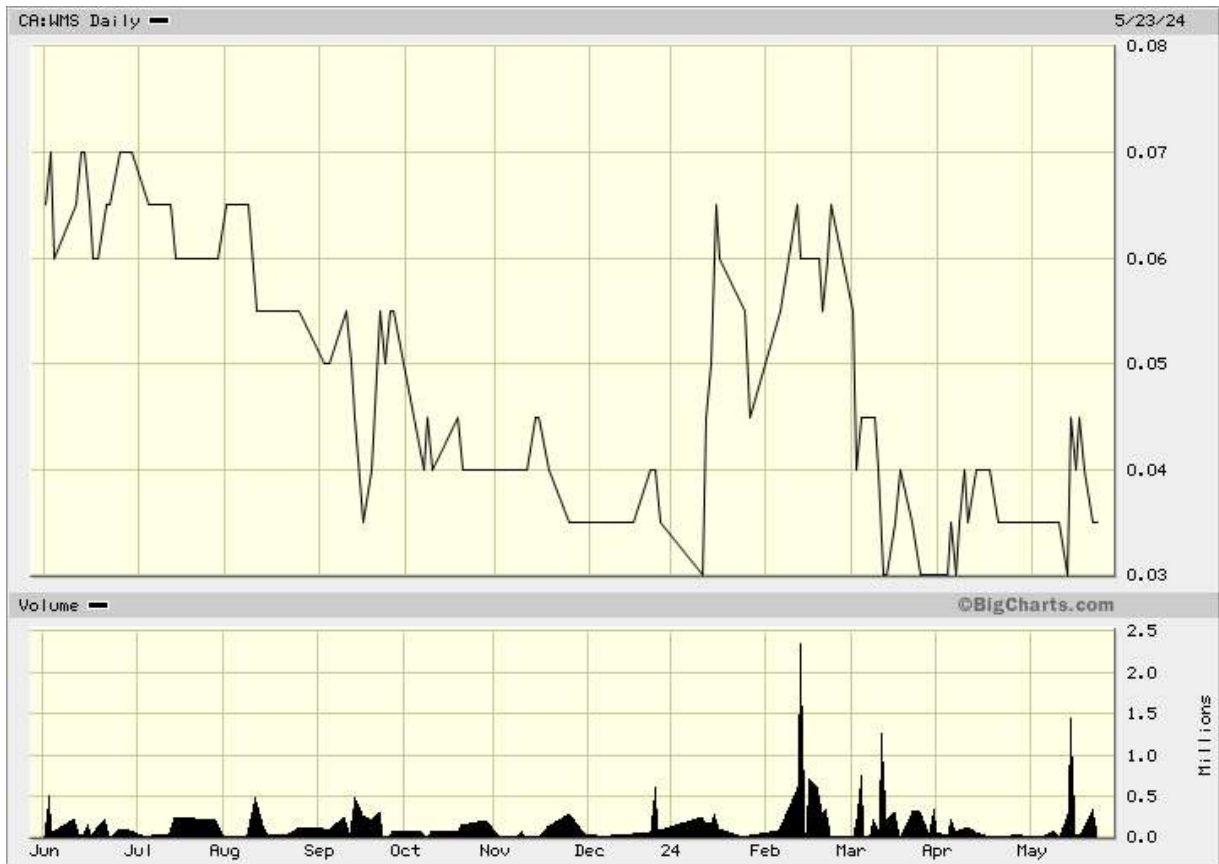
Copper must stand (or fall) on its own merits and not be tied to the fickle fortunes of the Battery Metals space, where it is an important but not central component. While Lithium has come off its bottom, copper and the rest of the base metals have resurged, irrespective of the state of the EV industry as copper has caught a tailwind from the perception of a generalized shortage of production pipeline rather than any EV-demand driven surge.

It is true that Copper has lagged in adding new megaprojects since the dire dog days of 2001 when the metal bottomed around 60cts per lb. The reality is that there are few big projects waiting in the wings and the travails and overruns of MMG bringing Las Bambas to production have cast a pall over the “big is beautiful” mantra. Meanwhile places like Chile, Peru and the DRC are seeing an upwelling of small- and mid-size copper projects adding to production.

Moving the focus to past-producing copper in mining-amenable jurisdictions is a smart move at this juncture. One should not, however, be surprised by even more deal-doing in the copper space in the near future. This is not a company that is taking the revived fortunes of the mining space lying down.

We can only presume that the ridiculously low market cap is due to some investors still fixating on gold in northern Spain (which is now in the ejector seat). This is past history. To some extent though the company has not up-played the past-producing copper assets it has now corralled, waiting for advancement of its exploration efforts on Nueva Celti and Turmalina before trumpeting their attractions. We would note that there are historic resources on both of these projects.

We are Initiating Western Metallica with a **LONG** rating and a 12-month target price of CAD\$0.13.



Important disclosures

I, Christopher Ecclestone, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

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