

World Copper Ltd.
(TSXV: WCU / OTCQB: WCUFF)

**Benefit from Inflation, EVs and Global Supply Chain Woes
- Initiating Coverage**

BUY

Current Price: C\$0.93

Fair Value: C\$2.02

Risk: 5

Sector / Industry: Junior Mining/Resource

[Click here for more research on the company and to share your views](#)

Highlights

- World Copper holds two copper projects in Chile, and is in the process of acquiring its third copper project (Arizona).
- Its flagship Escalones porphyry-skarn copper-gold project (Chile) holds a large copper oxide resource, with an **inferred resource of 3.45 Blbs at 0.37% Cu**. As the resource is in oxides, the project's OPEX/CAPEX are expected to be significantly lower than typical porphyry (sulphide) projects. A PEA is expected next month, which will provide us more clarity on the project's economics. Multiple targets have been identified for resource expansion.
- WCU is in the process of acquiring the **Zonia copper-oxide porphyry project** in Arizona. A 2018 PEA had returned an attractive AT-NPV8% of US\$447M, at US\$4/lb Cu. We estimate that WCU's shares are trading at 17% of the AT-NPV8% of Zonia, and receiving no value for Escalones.
- Healthy balance sheet, with over \$3M in cash, plus **in-the-money options and warrants totaling \$19M**.
- We believe low inventory levels, inflation, and global supply chain disruptions will support copper prices in H1-2022.
- **Upcoming catalysts** include closing of the Zonia transaction, and the PEA on Escalones.

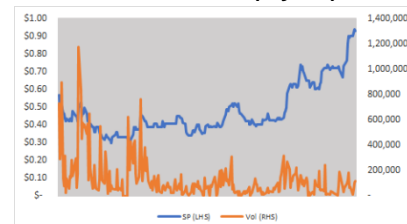
Risks

- The value of the company is dependent on copper prices.
- Financing and dilution risks.
- **Permitting and development risks.**
- Geopolitical and foreign exchange risks.

Sid Rajeev, B.Tech, CFA, MBA
Head of Research

Nina Rose Coderis, BSc (Geology)
Equity Analyst

Price Performance (1-year)



	YTD	12M
Ret.	31%	63%
TSXV	-5%	-5%

Company Data

52 Week Range	\$0.29 - \$0.94
Shares O/S	60M
Market Cap.	C\$56M
Yield (forward)	N/A
P/E (forward)	N/A
P/B	5x

Key Financial Data (FYE - Dec 31)

(C\$)	2021 (9M)
Cash	\$543,447
Working Capital	-\$736,227
Mineral Assets	\$6,657,077
Total Assets	\$7,581,385
Net Income (Loss)	-\$4,608,409
EPS	-\$0.11

*See last page for important disclosures, rating and risk definitions. All figures in C\$ unless otherwise specified.

Overview

Chile is the largest copper producer in the world

23% of global copper reserves, and 28% of global production comes from Chile

Arizona is the largest copper producer in the U.S., and accounts for 74% of the country's output

16,189 hectares

US\$4M in remaining payments to acquire a 100% interest

Located 100 km southeast of Santiago

Excellent infrastructure, including road access, power, and proximity to major sea ports

Portfolio Map



Source: Company

Escalones Porphyry-Skarn Project Ownership and Location

WCU's flagship asset is 35 km east of El Teniente, the world's largest underground copper mine.

Project Map



Source: Company

Mineralization is centered under a ridge, implying potential for a low-strip ratio (low OPEX)

Shallow deposit: ideal for open-pit mining

Oxide heap leaching is a relatively cheap, simple, and clean process vs sulfide flotation

Large inferred resource

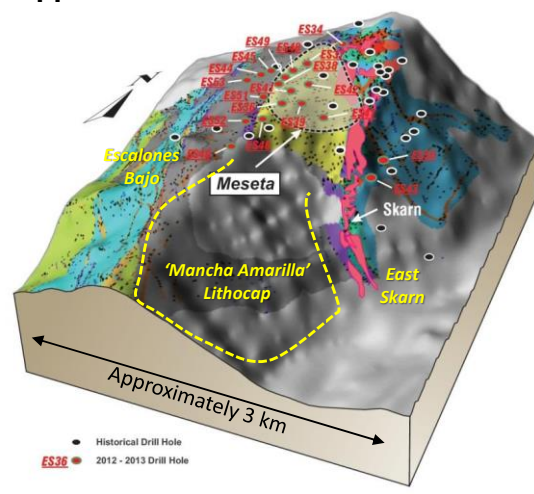
Metallurgical tests indicate a copper recovery of 71%, which we believe is in line with typical heap leach operations

Mineralization and Resource

The property hosts a 2 km by 1.6 km porphyry and skarn deposit. The main porphyry has been extensively drilled, including 53 holes (totaling 24,939 m). As resources are constrained in oxidized supergene mineralization, they are **amenable to low-cost oxide heap leaching**. This is one of the key advantages of the project.

Porphyry Copper and Skarn Model

Explanation	
	Quaternary
	Escalones Alto Sedimentary Sequence
	Greywacke
	Skarn
	Escalones Bajo Sedimentary Sequence
	Gypsum/Anhydrite
	Andesite Intrusion
	Dacite Intrusion



2021 Resource Estimate

CLASS	Density	Tonnes	Grade	Metal Content
	tonne/m ³	(X1000)	Total Cu %	x1000 lb Cu
Inferred	2.69	426,198	0.367	3,446,982

Source: Company

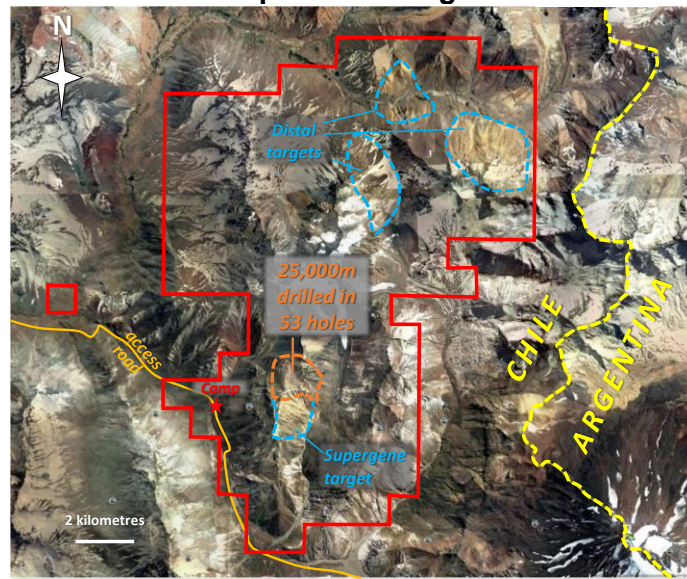
Resource Potential

WCU has identified **multiple targets** with potential for resource expansion:

- A severely untested target (called Mancha Amarilla), extending south of the identified deposit
- Skarn extensions along the west and east flanks of the deposit
- Three targets (Rio Negro, Arguelles Este, and Arguelles) north of the existing resource.

Multiple untested targets

Exploration Targets



 Area of Resource Estimate
 Additional Targets
 Claim Block

Source: Company

Upcoming Plans

Management plans to conduct a drill program at Mancha Amarilla, and nearby targets, to potentially expand the current resource. **A PEA is expected next month. We are expecting attractive economics as the project has relatively low CAPEX/OPEX.**

Cristal Copper Project Ownership and Location

This property, covering 900 hectares, is located near the port city of Arica, in northern Chile.

US\$4.2M in remaining payments to acquire a 100% interest

Excellent infrastructure

The property is surrounded by several senior copper producers

Covers part of the famous West Fissure or Domeyko fault, which hosts porphyry copper deposits such as Codelco's Chuquicamata, and BHP and Rio Tinto's (NYSE: RIO) La Escondida mine

The property is highly prospective for large, buried porphyry copper deposits

Geophysical surveys identified a two to three km diameter anomaly

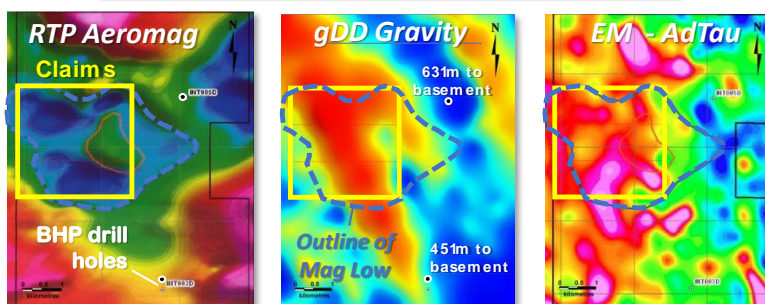
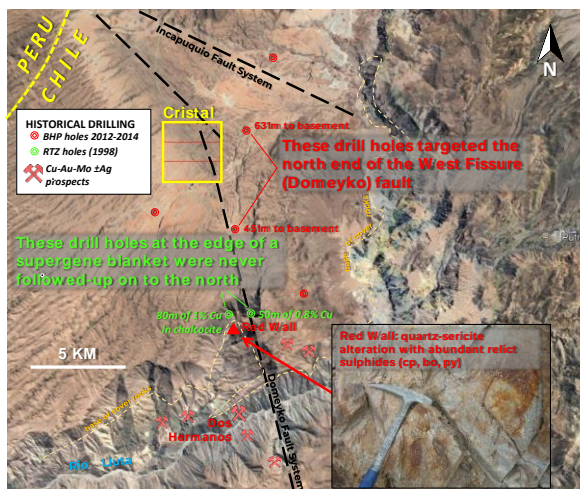
Project Map



Source: Company

History and Mineralization

BHP (NYSE: BHP) conducted geophysical surveys and drilling during 2012-2014.



Source: Company

Upcoming Plans

WCU plants to implement an initial drill program of four to six holes (500-1,000 m for each hole) with an estimated budget of US\$1-1.5M.

Zonia Copper-Oxide Porphyry Project Ownership and Location

In 2021, WCU announced its intent to acquire Cardero Resource (TSXV: CDU) and its Zonia copper-oxide porphyry project. The transaction is expected to close this quarter.

Acquiring the project for 29M shares and \$3.45M in assumed liabilities

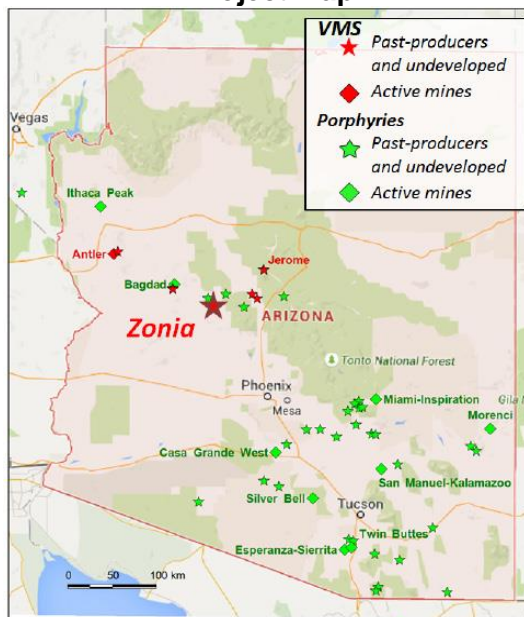
Located in Yavapai county, central Arizona

1,732 hectares

Approximately 161 km NW of Phoenix

Several active porphyry copper mines in the area

Project Map



Infrastructure

Infrastructure in place, including power and groundwater



Source: Company

Mineralization, Resource and PEA

Zonia holds a porphyry copper deposit. Almost 600 holes have been drilled (totaling 50,000 m). Historic production totaled 17.1 Mt from 1966 to 1975.

510 Mlbs indicated +
155 Mlbs inferred
copper

Resource Estimate

Classification	Cut-Off Grade (% Cu)	Short Tons (x '000)	Copper (%)	Contained Copper (M lbs)
Measured	0.2	15,400	0.42	129.3
Indicated	0.2	61,400	0.31	380.6
Measured & Indicated	0.2	76,800	0.33	510.0
Inferred	0.2	27,200	0.28	154.6

2018 PEA Highlights

Production Profile/Economics

Total Tons Leached	93 M
Head Grade	0.30% Cu
Mine Life	8.6 years
Payback Period	2.9 years
Mill throughput	30,000 tpd
Copper Recovery (oxide)	73%
Copper Recovery (transition)	70%
Total Copper Recovered	422 M lbs
Average Annual Production (LOM)	49 M lbs
After-Tax NPV 8%, \$3.00 Cu (base case)	\$192 M
After-Tax 1 st Year FCF, \$3.00 Cu	\$100 M
After-Tax NPV 8%, \$4.00 Cu (spot)	\$447 M
After-Tax 1 st Year FCF, \$4.00 Cu	\$149 M

Operating Costs

Mining / Processing / G&A	\$1.46/lb of copper
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Capital Requirements

Initial Capital	\$198 M
Sustaining Capital	\$40.8 M

Source: Company

Resource Potential

A new target with the same host rock, measuring 1,500 m x 2,000 m, has been identified.

Life of Mine (LOM)
of 8.6 years

Annual production of
49 Mlbs

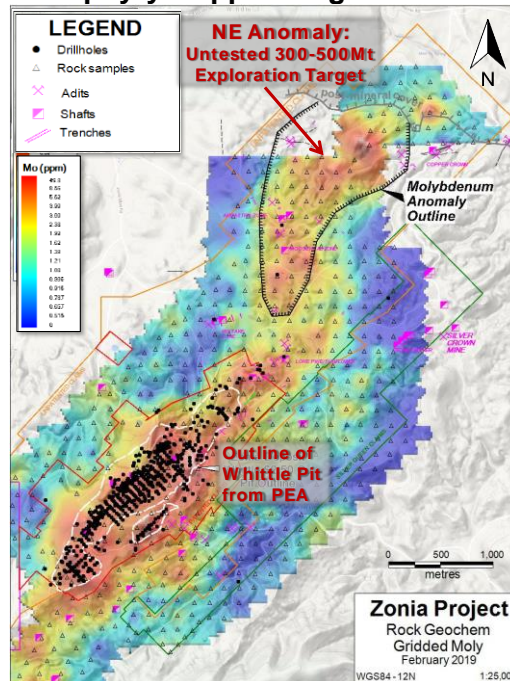
Attractive economics,
including an AT-
NPV8% of
US\$192M at
US\$3/lb copper, and
**US\$447M at
US\$4/lb copper**

Geochem and geophysical surveys delineated a large northeast anomaly

Permit applications for a 5,000 m drill program are underway

We believe the project has significant resource expansion potential

New Porphyry Copper Target - NE Anomaly



Source: Company

Upcoming Plans

Management plans to start definition drilling of the existing resource. **An updated PEA is expected this year.** A drill program to test the northeast anomaly will also commence this year.

Management and Directors

Management/board own 3.28%

Management and Board	% of Total
Henk van Alphen - Chairman	2.37%
Nolan Peterson - CEO	0.64%
Patrick Burns - President & Director	0.28%
Marcelo Awad - Executive Director	-
Roberto Freraut - Director	-
Tim McCutcheon - Director	-
Total	3.28%
Institutions / Others	
Wealth Minerals Ltd.	35.05%
Escalones Resource Corp.	6.57%
Total	41.6%
Total - Management/ Directors / Institutions	44.9%

Source: Management Information Circular / Company

Brief biographies of the management team and board members, as provided by the company, follow:

Henk van Alphen - Chairman

Mr. van Alphen founded Wealth Minerals in 2005. With more than 30 years of experience in the mining industry, he has been a key player in companies such as Corriente Resources, Cardero Resources, Trevali Mining, Balmoral Resources, and International Tower Hill. Over \$1B was raised in various financial transactions via Mr. van Alphen’s involvement.

Nolan Peterson - Chief Executive Officer

Mr. Peterson is an engineer and finance executive with an extensive career in project development, corporate finance, accounting, engineering and project management in the mining industry. He brings a strong technical and financial background as he holds an MBA from UBC’s Sauder School of Business, a bachelor’s degree in Metallurgical Engineering from UBC, is a CFA® Charterholder, and a Professional Engineer in British Columbia & Ontario.

Marcelo Awad - Executive Director

Mr. Awad has a long and distinguished career in the mining industry 18 years with Codelco, most recently as Executive Vice President 16 years with Antofagasta Minerals S.A., the Mining Division of Antofagasta Plc, including 8 years as CEO from 2004 to 2012, a period of significant growth for Antofagasta. In the 2011 Harvard Business Review, Mr. Awad was ranked as the number one CEO in Chile, 18th in Latin America and 87th in the world.

Patrick Burns - President

A Canadian geologist with over 40 years experience throughout the Caribbean, Central and South America, Patrick was directly involved in the discovery of the Escondida porphyry copper deposit in Chile, as well as the Escondida Norte and Zaldivar deposits and was the first Project Manager of all three. He has been involved in publicly traded mining companies predominantly in Chile for 35 years.

Roberto Frérait - Director

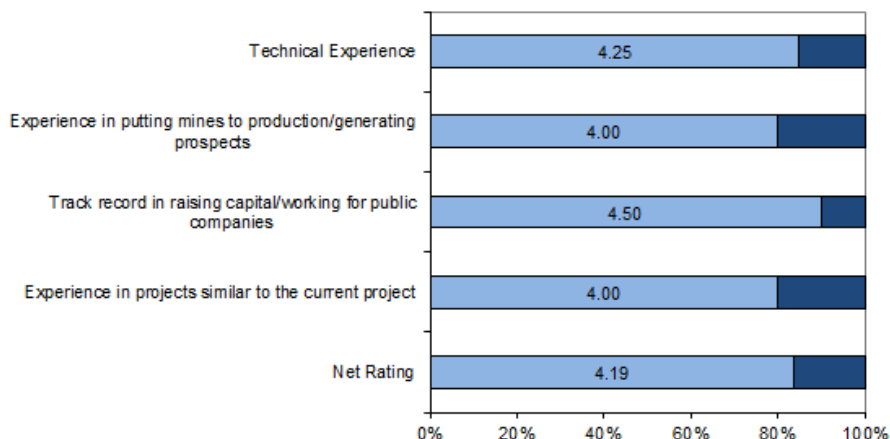
Mr. Frérait is a seasoned mining geologist with over 30 years of experience in the Chilean mining industry. He has previously served as the Exploration Manager for CODELCO and is a Professor of “Fundamentals of Mining Business” for the module for the Mining Industry Version MBA at the University of Chile.

Tim McCutcheon - Director

Mr. McCutcheon is a capital markets professional and corporate manager with over 20 years’ business experience. In 2006 he was a founder of DBM Capital Partners, a boutique mining resource merchant bank with AUM of \$130M and \$100M completed M&A transactions. Mr. McCutcheon has been a director/CEO of several public Emerging Market natural resource companies with assets in Russia, Kyrgyzstan, Slovakia, Mali and Ghana.

Our net rating on the company's management team is 4.2 out of 5.0

Management Rating



Only two out of five directors are independent

Strength of Board

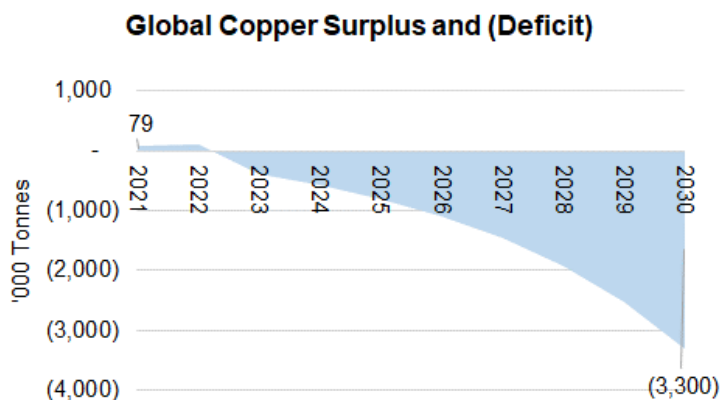
	Poor	Average	Good
Two out of five directors are independent	X		
Directors' share ownership		X	
The Audit committee is composed of three board members, two are independent		X	
Management compensation is decided by the board		X	

Source: FRC

Outlook on Copper

We believe Electric Vehicles (EVs) will be a key long-term demand driver of copper. Copper is essential for EV production, as approximately 180 lbs of copper is used in an EV. In 2020, 184K tonnes of copper was used by EVs, or 0.74% of total demand (Source: Various). Based on EV sales forecasts (30M by 2030, up from 6M in 2021), we expect copper demand from EVs will increase to 3.1M tonnes, or 8.8% of total demand, by 2030. **We expect global copper demand to rise to 35.4M tonnes by 2030, reflecting a CAGR of 3.53%, from 2020 to 2030.**

We expect the market to be in a 3.3 Mt deficit by 2030



Source: FRC

Copper is trading at US\$4.51/lb. We believe low inventory levels, inflation, and global supply chain disruptions, will support copper prices in H1-2022. We also believe that rising production costs will keep long-term prices above US\$3/lb. Our research indicates that most large undeveloped copper projects have break-even prices higher than US\$2.5/lb. We believe prices need to be at least 20% higher than break-even prices (or US\$3+) to incentivize copper developers.

Financials

(C\$)	2021 (9M)
Cash	\$543,447
Working Capital	-\$736,227
Current Ratio	0.56
Monthly Burn Rate (G&A)	-\$197,373
Cash from Financing Activities	\$3,367,917
Cash Spent on Properties	-\$1,250,070

Source: FRC / Company

Healthy balance sheet

Raised \$5.85M subsequent to the end of Q3

Can raise up to \$19M from in-the-money options and warrants

Stock Options and Warrants: 4.40M options (weighted average exercise price of \$0.42), and 28.23M warrants (\$0.59) are outstanding. All of the options and warrants are in-the-money, implying a potential to raise up to \$19M.

Valuation

WCU is trading at the higher-end of comparables as its projects have relatively low OPEX/CAPEX

We are applying a 50% premium to the sector average of \$0.032/lb to value WCU

Our comparables valuation is \$1.12

Copper Juniors	Country	EV/ Resource (\$/lb)
Nevada Copper Corp (TSX:NCU)	USA (Nevada)	\$0.089
Rambler Metals and Mining PLC (TSXV:RAB)	Canada	\$0.083
Northwest Copper Corp. (TSXV:SIR)	Canada	\$0.047
World Copper (TSXV: WCU)	Chile and Arizona	\$0.039
Trilogy (TSX: TMQ)	USA (Alaska)	\$0.036
SolGold Plc (LSE:SOLG)	Ecuador	\$0.034
Hot Chili (ASX: HCH)	Chile	\$0.034
Excelsior Mining (TSX:MIN)	USA (Arizona)	\$0.023
Los Andes (TSXV: LA)	Chile	\$0.020
Western Copper and Gold (TSX:WRN)	Canada	\$0.014
Cornerstone Capital Resources Inc. (TSXV:CGP)	Ecuador	\$0.012
Copperbank Resources (CSE: CBK)	USA (Arizona+Nevada)	\$0.010
Panoro Minerals (TSXV: PML)	Peru	\$0.009
Average (excl outliers)		\$0.032

Source: FRC / S&P Capital IQ

DCF Valuation - Escalones		DCF Valuation - Zonia	
Operating Life (years)	15	Operating Life (years)	9
Tonnage (Mt)	274	Tonnage (Mt)	90
Throughput (tpd)	50,000	Throughput (tpd)	30,000
Recovery Rate	70%	Recovery Rate	70%
Total Recovered Copper (Blbs)	1.55	Total Recovered Copper (Blbs)	0.45
Average Price of Cu (US\$/lb)	\$3.00	Average Price of Cu (US\$/lb)	\$3.00
Operating Cost (LOM) in US\$/lb	\$1.50	Operating Cost (LOM) in US\$/lb	\$1.60
Exchange rate (US\$:C\$)	1.25	Exchange rate (US\$:C\$)	1.25
Initial Capital Cost (US\$M)	\$500	Initial Capital Cost (US\$M)	\$220
Discount Rate	11.6%	Discount Rate	11.6%
After-Tax Net Asset Value (C\$)	\$226,488,420	After-Tax Net Asset Value (C\$)	\$67,933,668
Fair Value per Share (C\$)	\$2.22	Fair Value per Share (C\$)	\$0.67

Our DCF valuation on Escalones and Zonia is \$2.91 per share

Valuation Summary	Value	Value per Share
Escalones	\$226,488,420	\$2.22
Zonia	\$67,933,668	\$0.67
Cristal	-	-
Working Capital	\$3,140,039	\$0.03
Fair Value	\$297,562,127	\$2.91
Fair Value (C\$)	Copper Price (US\$/lb)	
C\$:US\$ - 1.25	\$2.60	\$2.85
	\$3.00	\$3.50
	\$4.00	\$4.00
7.5%	\$2.43	\$4.53
10.0%	\$1.19	\$2.86
11.6%	\$0.59	\$2.04
15.0%	-\$0.28	\$0.83
17.5%	-\$0.69	\$0.22

Our NPV estimate is highly sensitive to copper prices

Source: FRC

We are initiating coverage with a **BUY rating, and a fair value estimate of \$2.02 per share** (the average of our DCF and comparables valuations). Key catalysts include closing of the transaction with CDU, and the PEA on Escalones.

Risks

*We are assigning a
risk rating of 5
(Highly Speculative)*

- The value of the company is dependent on copper prices.
- Financing and equity dilution risks.
- **Permitting and development risks.**
- **Geopolitical and foreign exchange risks**

Fundamental Research Corp. Equity Rating Scale:

Buy – Annual expected rate of return exceeds 12% or the expected return is commensurate with risk

Hold – Annual expected rate of return is between 5% and 12%

Sell – Annual expected rate of return is below 5% or the expected return is not commensurate with risk

Suspended or Rating N/A— Coverage and ratings suspended until more information can be obtained from the company regarding recent events.

Fundamental Research Corp. Risk Rating Scale:

1 (Low Risk) - The company operates in an industry where it has a strong position (for example a monopoly, high market share etc.) or operates in a regulated industry. The future outlook is stable or positive for the industry. The company generates positive free cash flow and has a history of profitability. The capital structure is conservative with little or no debt.

2 (Below Average Risk) - The company operates in an industry where the fundamentals and outlook are positive. The industry and company are relatively less sensitive to systematic risk than companies with a Risk Rating of 3. The company has a history of profitability and has demonstrated its ability to generate positive free cash flows (though current free cash flow may be negative due to capital investment). The company's capital structure is conservative with little to modest use of debt.

3 (Average Risk) - The company operates in an industry that has average sensitivity to systematic risk. The industry may be cyclical. Profits and cash flow are sensitive to economic factors although the company has demonstrated its ability to generate positive earnings and cash flow. Debt use is in line with industry averages, and coverage ratios are sufficient.

4 (Speculative) - The company has little or no history of generating earnings or cash flow. Debt use is higher. These companies may be in start-up mode or in a turnaround situation. These companies should be considered speculative.

5 (Highly Speculative) - The company has no history of generating earnings or cash flow. They may operate in a new industry with new, and unproven products. Products may be at the development stage, testing, or seeking regulatory approval. These companies may run into liquidity issues and may rely on external funding. These stocks are considered highly speculative.

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The distribution of FRC's ratings are as follows: BUY (69%), HOLD (5%), SELL / SUSPEND (26%).

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