EMERITA
RESOURCES CORP.

Consolidated Financial Statements

For the years ended September 30, 2021 and 2020

(Expressed in Canadian Dollars)

Independent Auditor's Report

To the Shareholders of Emerita Resources Corp.

Opinion

We have audited the consolidated financial statements of Emerita Resources Corp and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at September 30, 2021 and 2020, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at September 30, 2021 and 2020 and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for opinion

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

Other information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner of the audit resulting in this independent auditor’s report is Chris Milios.

McGovern Hurley LLP

McGovern Hurley LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
January 27, 2022

Emerita Resources Corp.

Consolidated Statements of Financial Position

Expressed in Canadian Dollars

As at:	Note	**September 30, 2021 $**	September 30, 2020 $
ASSETS			
Current			
Cash and cash equivalents	4	**26,777,430**	778,065
Amounts receivable		**391,325**	80,966
Prepaid expenses		**149,858**	220,117
Total current assets		**27,318,613**	1,079,148
Long-term			
Reclamation deposit		**92,238**	17,976
Equipment	5	**7,944**	7,877
Total assets		**27,418,795**	1,105,001
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	11,12	**1,205,247**	1,230,809
Loans payable	10	**-**	339,013
Total liabilities		**1,205,247**	1,569,822
SHAREHOLDERS' EQUITY/(DEFICIENCY)			
Common shares	8	**40,425,848**	15,416,180
Warrant reserve	9	**6,836,167**	659,987
Option reserve	9	**13,307,624**	621,445
Deficit		**(34,356,091)**	(17,162,433)
Total shareholders' equity/(deficiency)		**26,213,548**	(464,821)
Total liabilities and shareholders' equity/(deficiency)		**27,418,795**	1,105,001

Nature of operations and going concern	1
Commitments and contingencies	7,15
Subsequent events	16

Approved on behalf of the Board of Directors on January 27, 2022:

Signed: *"Catherine Stretch"*, Director

Signed: *"David Gower"*, Director

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

Emerita Resources Corp.

Consolidated Statements of Loss and Comprehensive Loss

Expressed in Canadian Dollars

	Note	Year ended September 30, 2021 $	2020 $
Expenses			
Project evaluation expenses	7	**1,783,550**	312,810
Consulting and management fees	12	**1,900,406**	835,791
Professional fees		**63,355**	119,976
Shareholder communication and filing fees		**131,648**	62,361
Promotion expenses		**174,801**	93,165
Travel expenses		**-**	7,943
Office expenses		**97,373**	99,848
Share-based compensation	9,12	**13,208,973**	354,445
(Loss) for the year before other items		**(17,360,106)**	(1,886,339)
Other items			
Gain on settlement of liabilities	12	**-**	719,498
Interest income		**10,267**	263
Interest expense		**(987)**	(68,335)
Foreign exchange gain/(loss)		**119,796**	(1,385)
(Loss) and comprehensive (loss) for the year		**(17,231,030)**	(1,236,298)
Basic and diluted (loss) per share		**$ (0.13)**	$ (0.02)
Weighted average number of common shares outstanding			
Basic and Diluted		**136,269,264**	57,653,287

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

Emerita Resources Corp.

Consolidated Statements of Changes in Shareholders' Equity/(Deficiency)

Expressed in Canadian Dollars

	Note	Number of shares	Common Shares	Warrant Reserve	Option Reserve	Deficit	Shareholders' equity/(deficiency)
		#	$	$	$	$	$
Balance, September 30, 2020		**85,047,396**	**15,416,180**	**659,987**	**621,445**	**(17,162,433)**	**(464,821)**
Common shares issued, net of issue costs	8	68,783,148	26,101,289	-	-	-	26,101,289
Warrants issued	9	-	(7,638,355)	7,638,355	-	-	-
Warrants exercised	9	25,558,993	5,420,940	(1,459,803)	-	-	3,961,137
Warrants expired unexercised	9	-	-	(2,372)	-	2,372	-
Options exercised	9	2,320,000	1,125,794	-	(487,794)	-	638,000
Options expired unexercised	9	-	-	-	(35,000)	35,000	-
Share-based compensation	9	-	-	-	13,208,973	-	13,208,973
Loss and comprehensive loss for the year		-	-	-	-	(17,231,030)	(17,231,030)
Balance, September 30, 2021		**181,709,537**	**40,425,848**	**6,836,167**	**13,307,624**	**(34,356,091)**	**26,213,548**
Balance, September 30, 2019		**50,614,165**	**13,695,088**	**1,059,905**	**343,100**	**(16,953,340)**	**(1,855,247)**
Common shares issued, net of issue costs	8	34,142,847	2,243,240	-	-	-	2,243,240
Warrants issued	9	-	(573,179)	573,179	-	-	-
Warrants exercised	9	290,384	51,031	(21,992)	-	-	29,039
Warrants expired unexercised	9	-	-	(951,105)	-	951,105	-
Options expired unexercised	9	-	-	-	(76,100)	76,100	-
Share-based compensation	9	-	-	-	354,445	-	354,445
Loss and comprehensive loss for the year		-	-	-	-	(1,236,298)	(1,236,298)
Balance, September 30, 2020		**85,047,396**	**15,416,180**	**659,987**	**621,445**	**(17,162,433)**	**(464,821)**

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

Emerita Resources Corp.
Consolidated Statements of Cash Flows
Expressed in Canadian Dollars

	Note	Year ended September 30, 2021 $	2020 $
Cash (used in)/provided by:			
Operating activities			
(Loss) for the year		**(17,231,030)**	(1,236,298)
Items not involving cash:			
Gain on settlement of debt	12	**-**	(719,498)
Share-based compensation	9	**13,208,973**	354,445
Interest expense		**987**	67,995
Amortization and disposal of property, plant and equipment	5	**4,896**	2,171
Working capital adjustments:		**(265,662)**	(19,683)
Net cash (used in) operating activities		**(4,281,836)**	(1,550,868)
Investing activities			
Additions to property, plant and equipment	5	**(4,963)**	-
Increase in reclamation deposits		**(74,262)**	-
Net cash (used in) investing activities		**(79,225)**	-
Financing activities			
Proceeds from issuance of common shares and warrants	8	**28,175,750**	2,350,000
Cost of issue	8	**(2,074,461)**	(106,758)
Proceeds from loans	12	**-**	150,000
Loan repayment	10,12	**(340,000)**	(163,131)
Options exercised	9	**638,000**	-
Warrants exercised	9	**3,961,137**	29,039
Net cash provided by financing activities		**30,360,426**	2,259,150
Change in cash and cash equivalents, during the year		**25,999,365**	708,282
Cash and cash equivalents, beginning of year		**778,065**	69,783
Cash and cash equivalents, end of year		**26,777,430**	778,065
SUPPLEMENTAL INFORMATION			
Broker warrants issued	9	**$ 906,967**	$ 37,554

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Emerita Resources Corp. (the “Company”, or “Emerita”) was incorporated on October 30, 2009 as 0865140 BC Ltd. pursuant to the *Business Corporations Act of British Columbia*. On January 8, 2013, the Company completed its Qualifying Transaction and ceased to be a Capital Pool Company. The Company changed its name to Emerita Resources Corp. and commenced trading as a Tier 2 Mining Issuer on the TSX Venture Exchange (“TSXV") on January 11, 2013 under the new trading symbol “EMO”. The Company also trades on the OTCQB Venture Market in the United States under the trading symbol “EMOTF”. The Company owns the following subsidiary:

- A 100% interest in Emerita Resources Espana SL (“Emerita Espana”), a company incorporated on May 30, 2012 in Spain.
- A 99% interest in Emerita do Brazil Mineracao Ltda., a company incorporated on December 9, 2017 in Brazil. This subsidiary was dissolved and disposed of on September 27, 2021.

The Company is currently engaged in the acquisition, exploration and development of mineral properties. The head office and principal address of the Company is 36 Lombard Street, Floor 4, Toronto, Ontario, M5C 2X3.

The business of exploring for minerals involves a high degree of risk and there can be no assurance that the current exploration programs will result in profitable operations.

The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain mineral reserves that are economically recoverable. The recoverability of exploration and evaluation expenditures is dependent upon the establishment of a sufficient quantity of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development and upon future profitable production or proceeds from the disposition of these interests.

Although the Company has taken steps to verify title to the properties on which it is conducting its exploration activities, these procedures do not guarantee the Company’s title. Property title may be subject to government licensing requirements or regulations, social licensing requirements, unregistered prior agreements, unregistered claims and non-compliance with regulatory and environmental requirements. The Company’s assets may also be subject to increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and restrictions, and political uncertainty.

As at September 30, 2021, the Company has working capital of $26,113,366 (September 30, 2020: working capital deficiency of $490,674), and an accumulated deficit of $34,356,091 (September 30, 2020: $17,162,433). The Company has a need for equity financing for working capital and exploration and development of its properties. Because of continuing operating losses, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operation.

These consolidated financial statements have been prepared using accounting policies applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of operations. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying consolidated financial statements. Such adjustments could be material.

1. NATURE OF OPERATIONS AND GOING CONCERN (continued)

Novel Coronavirus ("COVID-19")

The Company's operations could be significantly adversely affected by the effects of a widespread global outbreak of a contagious disease, including the recent outbreak of respiratory illness caused by COVID-19. The Company cannot accurately predict the impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company's operations and ability to finance its operations. Despite the severity of the COVID-19 pandemic, there were no material impacts on the Company's operations and finances for the year ended September 30, 2021.

2. BASIS OF PRESENTATION

Statement of compliance

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

Basis of presentation

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

These consolidated financial statements include the accounts of the Company and its subsidiaries. All material intercompany transactions and balances between subsidiaries have been eliminated on consolidation. The Company holds a 50% interest in Cantabrica del Zinc ("Cantabrica"), along with its joint venture partner, the Aldesa Group. Cantabrica is reported as a joint venture in these consolidated financial statements. Refer to Note 6.

Approval of the consolidated financial statements

These consolidated financial statements of the Company for the year ended September 30, 2021 were reviewed, approved and authorized for issue by the Board of Directors of the Company on January 27, 2022.

3. SIGNIFICANT ACCOUNTING POLICIES

Critical judgements and estimation uncertainties

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Critical judgements and estimation uncertainties (continued)

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

Income, value added, withholding and other taxes

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

Share-based payments

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

Contingencies

Refer to Notes 1, 7, and 15.

Joint arrangement

The Company has a joint arrangement with the Aldesa Group. The Company has joint control over this arrangement as under the contractual agreement with the Aldesa Group, unanimous consent is required from all parties to the agreements for certain key strategic, operating, investing and financing policies. The Company's joint arrangement is structured as a corporation (JV Company) and provides the Company and the Aldesa Group (parties to the agreements) with rights to the net assets of the limited company under the arrangements. Therefore, this arrangement has been classified as a joint venture and has been recorded as an investment in associate. See Note 6.

Judgement is required to determine the type of joint arrangement that exists. This judgement involves considering its rights and obligations arising from the arrangement. An entity assesses its rights and obligations by considering the structure and legal form of the arrangement, the terms agreed by the parties in the contractual arrangement and, when relevant, other facts and circumstances.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

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

Subsidiaries

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

Joint Venture

The Company applies IFRS 11 to all joint arrangements. Under IFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures, depending on the contractual rights and obligations of each investor. The Company has assessed the nature of its joint arrangement and determined it to be a joint venture. Joint ventures are accounted for using the equity method of accounting. Under this method, interests in joint ventures are initially recognized at cost and adjusted thereafter to recognize the Company's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Company's share of losses in a joint venture equals or exceeds its interest in the joint venture, the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the joint venture. Unrealized gains on transactions between the Company and its joint ventures are eliminated to the extent of the Company's interest in the joint ventures. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the accounting policies adopted by the Company.

Equipment

Equipment is stated at cost, less accumulated amortization and accumulated impairment losses. Cost comprises the fair value of consideration given to acquire or construct an asset and includes the direct charges associated with bringing the asset to the location and condition necessary for putting it into use.

When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment.

Amortization is provided on a straight-line basis over the estimated useful lives of the equipment using the following number of years:

Office equipment	4 - 10 years
Office furniture	5 - 10 years
Software	3 - 5 years

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Assets and Liabilities

Financial Assets

Initial recognition and measurement

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

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

Subsequent measurement- financial assets at amortized cost

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

Subsequent measurement – financial assets at FVPL

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

Subsequent measurement – financial assets at FVOCI

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Assets and Liabilities (continued)

Financial Assets (continued)

Derecognition

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

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

Financial Liabilities

Initial recognition and measurement

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

Subsequent measurement – financial liabilities at amortized cost

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

Derecognition

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

Fair value of financial instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Exploration and evaluation properties

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

Development assets

When economically viable reserves have been determined and the decision to proceed with development has been approved, the expenditures related to development and construction are capitalized as construction-in-progress and classified as a component of property, plant and equipment. Costs associated with the commissioning of new assets incurred in the period before they are operating in the way intended by management are capitalized. Development expenditure is net of the proceeds of the sale of metals from ore extracted during the development phase. Interest on borrowings related to the construction and development of assets are capitalized until substantially all the activities required to make the asset ready for its intended use are complete.

Common shares

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

Foreign currency translation

The presentation and functional currency of the Company and its subsidiaries 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 reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the consolidated statement of financial position. Exchange differences are recognized in operations in the period in which they arise.

Income taxes

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity settled share-based transactions are set out in the equity reserves note (Note 9).

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

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

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

Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. The diluted loss per share calculation assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted loss per share calculation. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive. All the Company's outstanding stock options and warrants were anti-dilutive for the years ended September 30, 2021 and 2020.

Impairment of non-financial assets

The carrying values of equipment and other non-financial assets are assessed for impairment when indicators of such impairment exist. If any indication of impairment exists an estimate of the asset's recoverable amount is calculated. The recoverable amount is determined as the higher of the fair value less costs to sell for the asset and the asset's value in use.

Impairment is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, the individual assets of the Company are grouped together into cash generating units ("CGUs") for impairment purposes. Such CGUs represent the lowest level for which there are separately identifiable cash inflows that are largely independent of the cash flows from other assets or other groups of assets. This generally results in the Company evaluating its non-financial assets on a geographical basis.

If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired, and an impairment loss is charged to loss to reduce the carrying amount to its recoverable amount.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation/amortization, had no impairment loss been recognized for the asset in prior years. Such a reversal is recognized in loss.

Rehabilitation provisions

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

The obligation generally arises when the asset is installed, or the ground / environment is disturbed at the production location. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related mining assets to the extent that it was incurred prior to the production of related ore. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognized in operations as a finance cost. Additional disturbances or changes in rehabilitation costs will be recognized as additions or charges to the corresponding assets and rehabilitation liability when they occur. For closed sites, changes to estimated costs are recognized immediately in loss.

The Company does not currently have any such significant legal or constructive obligations and therefore, no rehabilitation provision has been recorded as at September 30, 2021 or 2020.

Future accounting changes

Certain new standards, interpretations, amendments and improvements to existing standards were issued by IASB or IFRIC that are mandatory for accounting periods beginning on or after October 1, 2021. Updates that are not applicable or are not consequential to the Company have been excluded thereof. The following have not yet been adopted and are being evaluated to determine their impact on the consolidated financial statements.

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

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

Expressed in Canadian Dollars

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Future accounting changes (continued)

IAS 16 – Property, Plant and Equipment ("IAS 16") was amended in May 2020 to prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss. IAS 16 is effective for annual periods beginning on or after January 1, 2022. Early adoption is permitted.

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

Accounting changes

During the year ended September 30, 2021, the Company adopted a number of amendments and improvements of existing standards. These included IAS 1. These new standards and changes did not have any material impact on the Company's financial statements.

4. CASH AND CASH EQUIVALENTS

	As at September 30, 2021 ($)	2020 ($)
Cash	3,777,430	778,065
Guaranteed investment certificate ("GIC"), bearing interest at prime rate minus 2.0%, redeemable anytime and maturing July 2, 2022	6,000,000	-
Guaranteed investment certificate ("GIC"), bearing interest at prime rate minus 2.0%, redeemable anytime and maturing July 15, 2022	17,000,000	-
Cash and cash equivalents	**26,777,430**	**778,065**

Expressed in Canadian Dollars

5. EQUIPMENT

	Office Equipment	Office Furniture	Software	Total
Cost as at September 30, 2019 and 2020	$ 26,712	$ 19,411	$ 1,881	$ 48,004
Additions, 2021	3,367	1,596	-	$ 4,963
Disposals, 2021	(2,444)	(583)	-	$ (3,027)
Cost as at September 30, 2021	**$ 27,635**	**$ 20,424**	**$ 1,881**	**$ 49,940**
Accumulated amortization as at September 30, 2019	$ 22,146	$ 13,929	$ 1,881	$ 37,956
Charge for the year, 2020	340	1,831	-	2,171
Accumulated amortization as at September 30, 2020	$ 22,486	$ 15,760	$ 1,881	$ 40,127
Charge for the year, 2021	86	1,783	-	1,869
Accumulated amortization as at September 30, 2021	**$ 22,572**	**$ 17,543**	**$ 1,881**	**$ 41,996**
Net book value as at September 30, 2020	$ 4,226	$ 3,651	$ -	$ 7,877
Net book value as at September 30, 2021	$ 5,063	$ 2,881	$ -	$ 7,944

6. INVESTMENT IN AND ADVANCES TO ASSOCIATE

On October 26, 2017, the Company, along with its Spanish joint venture partner the Aldesa Group (“Aldesa”), were awarded exploration concessions in the Santillana Syncline (the “Plaza Norte Project”). The Plaza Norte Project is in the Reocin Basin in Cantabria, Spain. The rights to the Plaza Norte Project were renewed by the Ministry of Mines in Cantabria in December 2020. All activities are suspended in this area due to the COVID-19 pandemic, and the Plaza Norte Project is in the process of being cancelled at September 30, 2021.

The Company and Aldesa each own a 50% interest in Cantabrica, a corporation registered in Spain, and will be equally represented on the board of directors. Emerita is the operator of the Plaza Norte Project. The Company recognizes its jointly controlled interest in the joint venture relationship with Aldesa as an investment in associate, using the equity method.

There have been no changes in the investment in associate balance for the years ended September 30, 2021 and 2020. The balance as at September 30, 2021, 2020 and 2019 is $nil.

The Company accounts for its 50% interest in the investment in associate using the equity method. The 50% share of the loss from the investment in associate’s operations attributable to the Company for the year ended September 30, 2021, was $nil (year ended September 30, 2020: $171,150). As the losses exceed the amount of the Company’s interest in the investment in associate, the losses have not been reflected in the Company’s consolidated statement of loss and comprehensive loss for the years ended September 30, 2021 and 2020. The cumulative share of losses from the investment in associate’s operations attributable to the Company that has not been recognized on the Company’s consolidated statement of loss and comprehensive loss is $288,308 (September 30, 2020: $288,308).

Expressed in Canadian Dollars

7. EXPLORATION AND EVALUATION EXPENDITURES

	For the year ended September 30,	
	2021	2020
Land management fees, taxes and permits	$ 47,799	$ 28,809
Labour	415,801	163,747
Drilling and geophysics	336,722	18,273
Travel, meals and accomodations	24,285	1,475
Legal fees	218,312	44,484
Project overhead costs	740,631	56,022
Total project evaluation expenses	**$ 1,783,550**	**$ 312,810**

As at September 30, 2021, the Company has valid permits for two zinc and gold exploration properties in Spain, and one zinc exploration property in Spain held through the Company's joint arrangement with Aldesa. The gold properties are comprised of exploration permits that were issued by the Asturias regulatory authorities in Spain. The zinc property is comprised of exploration permits that were issued by the Cantabrian and Andalusian regulatory authorities in Spain, respectively.

a) Iberia Belt West Property (formerly called the Paymogo Project)

- The Iberia Belt West Project ("IBW Project") consists of one exploration permit and certain mineral claims in southwestern Spain.

- On September 1, 2020, Emerita was officially notified through a resolution that it is the winning bidder of the IBW Project mining rights in Huelva. The Tender resolution has been issued by the Provincial Secretary of the Regional Ministry of Industry in Huelva. The resolution declares that Emerita Espana is the winning bidder of the tender. Emerita Espana is registered on the Junda de Andalusia official website as the owner of the mineral rights to the IBW Project. The initial rights are for a period of 26 months and providing the Company initiates drilling in a timely manner, it has the right to apply to have this period extended for a further 36 months. On July 12, 2021, the Company received the final granted resolution.

b) Sierra Alta Property

- The Sierra Alta Property is comprised of one exploration permit which consists of certain mining claims in the Asturias region in northwestern Spain. The Company 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. Permit renewals were submitted in 2020, and the renewal is still pending.

- On April 20, 2020, the Company signed a binding letter agreement with Western Metallica Corp. ("Western"), a private company, pursuant to which Western may earn a 55% interest in the Sierra Alta project (the "Sierra Transaction"). A director and officer of Western is also a director and officer of the Company. Refer to Note 12.

- To earn its 55% interest, Western shall:
    1. Pay $50,000 in cash to the Company (paid);
    2. Issue 500,000 shares of Western 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.

Expressed in Canadian Dollars

8. COMMON SHARES

Authorized

The authorized share capital consists of an unlimited number of common shares without par value.

Common Shares Issued

	Number of shares outstanding	Amount ($)
Balance, September 30, 2019	**50,614,165**	**13,695,088**
Private placements, net of issuance costs (vi,vii)	34,142,847	2,243,240
Warrant valuation (vi, vii)	-	(535,625)
Broker warrant valuation (vi, vii)	-	(37,554)
Broker warrant exercise (viii)	290,384	29,039
Valuation allocation of exercise of warrants	-	21,992
Balance, September 30, 2020	**85,047,396**	**15,416,180**
Private placements, net of issuance costs (i,ii,iii)	68,783,148	26,101,289
Warrant valuations (i,ii,iii)	-	(6,731,388)
Broker warrant valuations (i,ii,iii)	-	(906,967)
Warrant exercises (iv)	25,558,993	3,961,137
Valuation allocation of exercise of warrants	-	1,459,803
Option exercise (v)	2,320,000	638,000
Valuation allocation of exercise of options	-	487,794
Balance, September 30, 2021	**181,709,537**	**40,425,848**

(i) On July 15, 2021, the Company completed a private placement financing by issuing 18,182,500 units at a price of $1.10 per unit for gross proceeds of $20,000,750. Each unit is comprised of one common share of the Company and one-half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one common share at a price of $1.50 for a period of 24 months. The grant date fair value of the warrants issued was estimated at $4,690,124 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; share price of $0.84; expected volatility of 147.4%; risk-free interest rate of 0.44% and expected life of 2 years.

In connection with the offering, the Company paid $1,200,045 in finders' fees and issued 1,090,950 non-transferrable finder warrants. Each finder warrant is exercisable into one common share of the Company at a price of $1.10 per warrant until July 15, 2023. The grant date fair value of the finder warrants issued was estimated at $609,056 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; share price of $0.84; expected volatility of 147.4%; risk-free interest rate of 0.44% and expected life of 2 years. The Company also incurred a total amount of $132,783 in legal and other fees in connection with the offering.

(ii) On February 23, 2021, the Company completed a private placement financing by issuing 13,636,363 units at a price of $0.22 per unit for gross proceeds of $3,000,000. Each unit is comprised of one common share of the Company and one-half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one common share at a price of $0.30 for a period of 24 months. The grant date fair value of the warrants issued was estimated at $717,261 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; share price of $0.17; expected volatility of 151.6%; risk-free interest rate of 0.23% and expected life of 2 years.

8. COMMON SHARES (continued)

Common Shares Issued (continued)

In connection with the offering, the Company paid $180,000 in finders' fees and issued 818,181 non-transferrable finder warrants. Each finder warrant is exercisable into one common share of the Company at a price of $0.30 per warrant until February 23, 2023. The grant date fair value of the finder warrants issued was estimated at $86,071 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; share price of $0.17; expected volatility of 151.6%; risk-free interest rate of 0.23% and expected life of 2 years. The Company also incurred a total of $15,750 in legal and other fees in connection with the offering,

(iii) On December 11, 2020, the Company completed a private placement financing by issuing 36,964,285 units at a price of $0.14 per unit for gross proceeds of $5,175,000. Each unit is comprised of one common share of the Company and one-half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one common share at a price of $0.16 for a period of 24 months, subject to an acceleration provision whereby in the event that at any time after the expiry of the statutory hold period, the common shares trade at $0.25 or higher on the TSX Venture Exchange for a period of 20 consecutive days, the Company shall have the right to accelerate the expiry date of the warrants to the date that is 30 days after the date the Company issues a news release announcing that it has elected to exercise the acceleration right. As at September 30, 2021 the acceleration right had not been exercised. The grant date fair value of the warrants issued was estimated at $1,324,003 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; share price of $0.10; expected volatility of 160.9%; risk-free interest rate of 0.25% and expected life of 2 years.

In connection with the offering, the Company paid $414,000 in finders' fees and issued 2,957,142 non-transferable finder warrants. Each finder warrant is exercisable into one common share of the Company at a price of $0.16 per warrant until December 11, 2022. The grant date fair value of the finder warrants issued was estimated at $211,840 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; share price of $0.10; expected volatility of 160.9%; risk-free interest rate of 0.25% and an expected life of 2 years. The Company also incurred a total amount of $131,883 in legal and other fees in connection with the offering.

(iv) During the year ended September 30, 2021, 3,590,944 of the Company's finder warrants were exercised at a weighted-average price of $0.15 per common share, and 21,968,049 of the Company's warrants were exercised at a price of $0.16 per common share, generating gross proceeds of $3,961,137.

(v) During the year ended September 30, 2021, 2,320,000 of the Company's options were exercised at a weighted-average exercise price of $0.28 per share, generating gross proceeds of $638,000.

(vi) On July 10, 2020, the Company completed the first tranche of a private placement financing by issuing 27,000,000 units at a price of $0.05 per unit for gross proceeds of $1,350,000. Each unit is comprised on one common share of the Company and one-half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one common share at a price of $0.15 for a period of 24 months, subject to an acceleration provision whereby in the event that at any time after the expiry of the statutory hold period, the common shares trade at $0.25 or higher on the TSX Venture Exchange for a period of 20 consecutive days, the Company shall have the right to accelerate the expiry date of the warrants to the date that is 30 days after the date the Company issues a news release announcing that it has elected to exercise the acceleration right.

8. COMMON SHARES (continued)

Common Shares Issued (continued)

The grant date fair value of the warrants issued was estimated at $275,402 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; share price of $0.04; expected volatility of 153.2%; risk-free interest rate of 0.27% and expected life of 2 years.

In connection with the offering, the Company paid $70,160 in finders' fees and issued 1,259,000 non-transferable finder warrants. Each finder warrant is exercisable into one common share of the Company at a price of $0.15 per warrant until July 10, 2022. The grant date fair value of the finder warrants issued was estimated at $25,688 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; share price of $0.04; expected volatility of 153.2%; risk-free interest rate of 0.27% and an expected life of 2 years.

(vii) On August 13, 2020, the Company completed the second and final tranche of a private placement financing by issuing 7,142,847 units at a price of $0.14 per unit for gross proceeds of $1,000,000. Each unit is comprised on one common share of the Company and one-half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one common share at a price of $0.15 for a period of 24 months, subject to an acceleration provision whereby in the event that at any time after the expiry of the statutory hold period, the common shares trade at $0.25 or higher on the TSX Venture Exchange for a period of 20 consecutive days, the Company shall have the right to accelerate the expiry date of the warrants to the date that is 30 days after the date the Company issues a news release announcing that it has elected to exercise the acceleration right. As at September 30, 2021, the acceleration right had not been exercised.

The grant date fair value of the warrants issued was estimated at $260,223 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; share price of $0.10; expected volatility of 163%; risk-free interest rate of 0.31% and an expected life of 2 years.

In connection with the offering, the Company paid $22,800 in finders' fees and issued 162,862 non-transferable finder warrants. Each finder warrant is exercisable into one common share of the Company at a price of $0.15 per warrant until August 13, 2022. The grant date fair value of the finder warrants issued was estimated at $11,867 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; share price of $0.10; expected volatility of 163%; risk-free interest rate of 0.31% and an expected life of 2 years.

(viii) During the year ended September 30, 2020, 290,384 of the Company's finder warrants were exercised at a price of $0.10 per common share, generating gross proceeds of $29,039.

Expressed in Canadian Dollars

9. EQUITY RESERVES

Warrants

The changes in warrants issued during the years ended September 30, 2021 and 2020 are as follows:

	Number of warrants	Weighted average exercise price	Value of warrants
Balance, September 30, 2019	**6,205,919**	**$ 0.17**	**$ 1,059,905**
Expired, December 2019	(4,762,019)	0.20	(951,105)
Granted, July 2020	14,759,200	0.15	301,090
Granted, August 2020	3,734,285	0.15	272,090
Exercised, August 2020	(168,560)	0.10	(12,766)
Exercised, September 2020	(121,824)	0.10	(9,226)
Balance, September 30, 2020	**19,647,001**	**$ 0.15**	**$ 659,987**
Exercised, October 2020	(9,900)	0.10	(750)
Granted, December 2020	21,439,284	0.16	1,535,843
Exercised, January 2021	(24,000)	0.15	(490)
Granted, February 2021	7,636,362	0.30	803,332
Exercised, February 2021	(1,021,600)	0.15	(22,017)
Exercised, March 2021	(71,400)	0.15	(5,202)
Exercised, April 2021	(177,066)	0.10	(13,410)
Exercised. May 2021	(12,071,394)	0.15	(696,799)
Expired, May 2021	(31,320)	0.10	(2,372)
Exercised, June 2021	(4,094,270)	0.16	(231,259)
Granted, July 2021	10,182,200	1.46	5,299,180
Exercised, July 2021	(7,231,165)	0.16	(439,755)
Exercised, August 2021	(498,913)	0.16	(30,453)
Exercised, September 2021	(359,285)	0.15	(19,668)
Balance, September 30, 2021	**33,314,534**	**$ 0.58**	**$ 6,836,167**

During the year ended September 30, 2021, 31,320 of the Company's warrants expired unexercised and $2,372 was transferred to deficit (year ended September 30, 2020: 4,762,019 warrants expired and $951,105 transferred to deficit).

The following summarizes the warrants outstanding as of September 30, 2021:

Number outstanding #	Number exercisable #	Grant date	Expiry date	Exercise price $	Estimated grant date fair value $	Volatility	Risk-free interest rate	Expected life (Yrs) #	Expected dividend yield
6,540,000	6,540,000	10-Jul-20	10-Jul-22	$0.15	133,416	153%	0.27%	2.00	0%
727,040	727,040	10-Jul-20	10-Jul-22	$0.15	14,832	153%	0.27%	2.00	0%
2,245,524	2,245,524	13-Aug-20	13-Aug-22	$0.15	163,615	163%	0.31%	2.00	0%
20,319	20,319	13-Aug-20	13-Aug-22	$0.15	1,481	163%	0.31%	2.00	0%
4,799,992	4,799,992	11-Dec-20	11-Dec-22	$0.16	343,856	161%	0.25%	2.00	0%
1,367,642	1,367,642	11-Dec-20	11-Dec-22	$0.16	97,973	161%	0.25%	2.00	0%
6,818,181	6,818,181	23-Feb-21	23-Feb-23	$0.30	717,261	152%	0.23%	2.00	0%
613,636	613,636	23-Feb-21	23-Feb-23	$0.30	64,553	152%	0.23%	2.00	0%
9,091,250	9,091,250	15-Jul-21	15-Jul-23	$1.50	4,690,124	147%	0.44%	2.00	0%
1,090,950	1,090,950	15-Jul-21	15-Jul-23	$1.10	609,056	147%	0.44%	2.00	0%
33,314,534	**33,314,534**				**6,836,167**				

The weighted-average remaining contractual life of the warrants as of September 30, 2021 is 1.31 years (September 30, 2020: 1.73 years).

Expressed in Canadian Dollars

9. EQUITY RESERVES (continued)

Share-based payments

The changes in stock options issued during the years ended September 30, 2021 and 2020 are as follows:

	Number of options	Weighted average exercise price	Estimated grant date fair value
Balance, September 30, 2019	**1,030,000**	**$ 0.50**	**$ 343,100**
Granted, November 2019	3,700,000	0.10	329,995
Granted, May 2020	500,000	0.05	24,450
Expired, June 2020	(210,000)	0.35	(76,100)
Balance, September 30, 2020	**5,020,000**	**$ 0.16**	**$ 621,445**
Granted, February 2021	5,450,000	0.18	874,726
Exercised, February 2021	(100,000)	0.10	(8,919)
Granted, March 2021	525,000	0.28	139,128
Granted, April 2021	300,000	0.25	63,870
Exercised, May 2021	(800,000)	0.14	(91,522)
Granted, June 2021	200,000	1.10	228,623
Exercised, June 2021	(350,000)	0.27	(75,124)
Granted, July 2021	7,200,000	1.86	11,902,626
Exercised, July 2021	(40,000)	0.35	(14,000)
Exercised, August 2021	(830,000)	0.37	(248,228)
Expired, August 2021	(100,000)	0.50	(35,000)
Exercised, September 2021	(200,000)	0.50	(50,000)
Balance, September 30, 2021	**16,275,000**	**$ 0.92**	**$ 13,307,624**

On February 5, 2021, the Company granted a total of 5,450,000 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 $0.18 per option for a period of 5 years from the date of grant. The fair value of the stock options was estimated at $874,726 using the Black-Scholes pricing model, with the following weighted average assumptions: expected dividend yield 0%, stock price $0.18, expected annual volatility 143%, risk-free interest rate 0.48% and expected average life 5 years. Directors and officers were granted 3,900,000 options, with a fair value of $625,951.

On March 1, 2021, the Company granted 500,000 stock options to a consultant of the Company pursuant to its stock option plan. The options vested immediately and may be exercised at a price of $0.28 per option for a period of 5 years from the date of grant. The fair value of the stock options was estimated at $132,728 using the Black-Scholes pricing model, with the following weighted average assumptions: expected dividend yield 0%, stock price $0.28, expected annual volatility 173%, risk-free interest rate 0.81% and expected average life 5 years.

On March 3, 2021, the Company granted 25,000 stock options to a consultant of the Company pursuant to its stock option plan. The options vested immediately and may be exercised at a price of $0.27 per option for a period of 5 years from the date of grant. The fair value of the stock options was estimated at $6,400 using the Black-Scholes pricing model, with the following weighted average assumptions: expected dividend yield 0%, stock price $0.27, expected annual volatility 173%, risk-free interest rate 0.83% and expected average life 5 years.

Expressed in Canadian Dollars

9. EQUITY RESERVES (continued)

Share-based payments (continued)

On April 14, 2021, the Company granted 300,000 stock options to a director of the Company pursuant to its stock option plan. The options vested immediately and may be exercised at a price of $0.25 per option for a period of 5 years from the date of grant. The fair value of the stock options was estimated at $63,870 using the Black-Scholes pricing model, with the following weighted average assumptions: expected dividend yield 0%, stock price $0.225, expected annual volatility 174%, risk-free interest rate 0.95% and expected average life 5 years.

On June 25, 2021, the Company granted 200,000 stock options to a consultant of the Company pursuant to its stock option plan. The options vested immediately and may be exercised at a price of $1.10 per option for a period of 5 years from the date of grant. The fair value of the stock options was estimated at $228,623 using the Black-Scholes pricing model, with the following weighted average assumptions: expected dividend yield 0%, stock price $1.20, expected annual volatility 171%, risk-free interest rate 1.00% and expected average life 5 years.

On July 29, 2021, the Company granted a total of 7,200,000 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 $1.86 per option for a period of 5 years from the date of grant. The fair value of the stock options was estimated at $11,902,626 using the Black-Scholes pricing model, with the following weighted average assumptions: expected dividend yield 0%, stock price $1.86, expected annual volatility 142%, risk-free interest rate 0.81% and expected average life 5 years. Directors and officers were granted 7,000,000 options, with a fair value of $11,571,997.

During the year ended September 30, 2021, 2,320,000 of the Company's options were exercised at a weighted average exercise price of $0.28, generating proceeds of $638,000 (year ended September 30, 2020: no options exercised). The Company's share price at the time of option exercise is as follows:

Exercise Date	Options Exercised	Share Price
February 12, 2021	100,000	$ 0.33
May 11, 2021	700,000	$ 0.62
May 25, 2021	100,000	$ 0.85
June 2, 2021	60,000	$ 0.77
June 18, 2021	200,000	$ 0.89
June 24, 2021	50,000	$ 1.25
June 29, 2021	40,000	$ 1.43
July 30, 2021	40,000	$ 1.90
August 5, 2021	50,000	$ 1.82
August 9, 2021	500,000	$ 1.90
August 12, 2021	140,000	$ 2.08
August 18, 2021	140,000	$ 1.89
September 9, 2021	200,000	$ 1.84

On November 7, 2019, the Company granted a total of 3,700,000 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 $0.10 per option for a period of 5 years from the date of grant. The fair value of the stock options was estimated using the Black-Scholes pricing model, with the following weighted average assumptions: expected dividend yield 0%, stock price $0.095, expected annual volatility 167%, risk-free interest rate 1.54% and expected average life 5 years. Directors and officers of the Company were granted 3,600,000 options, with a fair value of $321,076.

Expressed in Canadian Dollars

9. EQUITY RESERVES (continued)

Share-based payments (continued)

On May 27, 2020, the Company granted a total of 500,000 stock options to a consultant of the Company pursuant to its stock option plan. The options vested immediately and may be exercised at a price of $0.05 per option for a period of 5 years from the date of grant. The fair value of the stock options was estimated using the Black-Scholes pricing model, with the following weighted average assumptions: expected dividend yield 0%, stock price $0.055, expected annual volatility 140%, risk-free interest rate 0.40% and expected average life 5 years.

During the year ended September 30, 2021, 100,000 options expired and $35,000 was transferred to deficit (year ended September 30, 2020: 210,000 options expired and $76,100 transferred to deficit).

Options outstanding as of September 30, 2021 are as follows:

Number outstanding #	Number exercisable #	Grant date	Expiry date	Exercise price $	Estimated grant date fair value $	Volatility	Risk-free interest rate	Expected life (Yrs) #	Expected dividend yield
2,950,000	2,950,000	07-Nov-19	07-Nov-24	$0.10	263,104	167%	1.54%	5.00	0%
500,000	500,000	27-May-20	27-May-25	$0.05	24,450	140%	0.40%	5.00	0%
5,100,000	5,100,000	05-Feb-21	05-Feb-26	$0.18	818,551	143%	0.48%	5.00	0%
25,000	25,000	03-Mar-21	03-Mar-26	$0.27	6,400	173%	0.83%	5.00	0%
300,000	300,000	14-Apr-21	14-Apr-26	$0.25	63,870	174%	0.95%	5.00	0%
200,000	200,000	25-Jun-21	25-Jun-26	$1.10	228,623	171%	1.00%	5.00	0%
7,200,000	7,200,000	29-Jul-21	29-Jul-26	$1.86	11,902,626	142%	0.81%	5.00	0%
16,275,000	**16,275,000**				**13,307,624**				

The weighted average remaining contractual life of the options as at September 30, 2021 is 4.33 years (September 30, 2020: 3.65 years).

10. CAPITAL MANAGEMENT

The Company manages and adjusts its capital structure based on available funds in order to support the acquisition, exploration and development of mineral properties. The Board does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company’s management to sustain future development of the business. The Company considers its capital to consist of common shares, warrants and options.

The properties in which the Company currently has an interest are in the exploration and evaluation stage; as such, the Company is dependent on external financing to fund its activities. In order to carry out planned exploration and evaluation and pay for administrative costs, the Company must raise additional amounts.

The Company may continue to assess new properties and may seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no significant changes in the Company’s approach to capital management during the years ended September 30, 2021 and 2020.

10. CAPITAL MANAGEMENT (continued)

The Company and its subsidiaries are not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSX Venture Exchange ("TSXV") which requires adequate working capital or financial resources of the greater of (i) $50,000 and (ii) an amount required to maintain operations and cover general and administrative expenses for a period of 6 months.

On December 7, 2018, the Company entered into a loan agreement with an unrelated party for a total principal amount of $250,000. The loan was secured, and interest accrued at 18% per annum. The loan was due and payable on December 5, 2020, settled either in cash or shares at the lender's option. On December 16, 2020, the loan was repaid in full. The total amount paid by the Company, including principal and accrued interest, was $340,000.

On January 24, 2020, the Company entered into a loan agreement with a related party for $100,000. An officer of the Company is also the Chief Executive Officer of the lender. On July 14, 2020, the loan was repaid in full. The amount paid, consisting of principal, administration fees and accrued interest, was $113,131.

On June 29, 2020, a director of the Company loaned a total principal amount of $50,000 to the Company. No interest was paid in relation to the loan, and the loan was repaid on July 14, 2020.

11. FINANCIAL INSTRUMENTS

Financial instruments recorded at fair value on the consolidated statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

a) Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
b) Level 2 - Inputs other than quoted prices that are observable for assets or liabilities, either directly or indirectly; and
c) Level 3 - Inputs for assets and liabilities that are not based on observable market data.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The Company's financial instruments include cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities, and loans payable. The carrying values of these financial instruments reported in the statement of financial position approximate their respective fair values due to the relatively short-term nature of these instruments. As at September 30, 2021, the Company's financial instruments that are carried at fair value, being cash equivalents, are classified as Level 2 within the fair value hierarchy. As at September 30, 2020, the Company had no instruments to classify in the fair value hierarchy.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

(a) *Credit risk*

Counterparty credit risk is the risk that the financial benefits of contracts with a specific counterparty will be lost if a counterparty defaults on its obligations under the contract. This includes any cash amounts owed to the Company by those counterparties, less any amounts owed to the counterparty by the Company where a legal right of set-off exists and also includes the fair values of contracts with individual counterparties which are recorded in the financial statements.

a. *Trade credit risk*
The Company is not exposed to significant trade credit risk.

11. FINANCIAL INSTRUMENTS (continued)

b. *Cash and cash equivalents*

In order to manage credit and liquidity risk the Company's policy is to invest only in highly rated, investment grade instruments Limits are also established based on the type of investment, the counterparty and the credit rating.

(b) *Currency risk*

Currency risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will fluctuate because of changes in foreign exchange rates. The Company's foreign currency risk arises primarily with respect to the Euro from its property interests in Spain, and US dollars from operations. Fluctuations in the exchange rates between these currencies and the Canadian dollar could have a material effect on the Company's business, financial condition and results of operations. The Company does not engage in any hedging activity to mitigate this risk.

As at September 30, 2021 and 2020, the Company had the following financial instruments denominated in foreign currency (expressed in Canadian dollars):

September 30, 2021

	Euro	US dollars	Brazilian reals
Cash	$ 460,166	$ 13,231	$ -
Accounts payable and accrued liabilities	(458,801)	(2)	-
	$ 1,365	$ 13,229	$ -

September 30, 2020

	Euro	US dollars	Brazilian reals
Cash	$ 65,489	$ 100	$ 984
Accounts payable and accrued liabilities	(70,003)	(137)	(121,480)
	$ (4,514)	$ (37)	$ (120,496)

A 10% strengthening (weakening) of the Canadian dollar against the Euro would decrease (increase) net loss by approximately $140 (2020 - $(400)).

A 10% strengthening (weakening) of the Canadian dollar against the US dollar would decrease (increase) net loss by approximately $1,300 (2020 - $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. At September 30, 2021, the Company had a cash and cash equivalents balance of $26,777,430 (September 30, 2020 - $778,065) to settle current liabilities of $1,205,247 (September 30, 2020 - $1,569,822). The Company's trade payables have contractual maturities of less than 30 days and are subject to normal trade terms.

11. FINANCIAL INSTRUMENTS (continued)

(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 and zinc, 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.

12. RELATED PARTY TRANSACTIONS

The Company shares office space with other companies who may have common officers or directors. The costs associated with this space are administered by an unrelated company.

As at September 30, 2021, an amount of $199,617, included in accounts payable and accrued liabilities, was owed to directors and officers of the Company (September 30, 2020: $438,231). The amounts outstanding on fees are unsecured, non-interest bearing, with no fixed terms of repayment.

As at September 30, 2021, the Company prepaid $23,090 in salary to a director and officer of the Company. This amount was repaid subsequent to the year end.

As at September 30, 2021, an amount of $23,541, included in amounts receivable, was owed to the Company by directors and officers of the Company. The amounts outstanding are unsecured, non-interest bearing, with no fixed terms of repayment.

The Company entered into debt waiver agreements with certain directors and officers of the Company, in which the directors and officers agreed to waive amounts owed to them by the Company at September 30, 2020 in the amount of $719,498.

On January 24, 2020, the Company entered into a loan agreement with a related party for $100,000. An officer of the Company is also the Chief Executive Officer of the lender. On July 14, 2020, the loan was repaid in full. The amount paid, consisting of principal, administration fees and accrued interest, was $113,131.

On April 20, 2020, the Company signed a binding letter agreement with Western Metallica Corp. (“Western”), pursuant to which Western may earn a 55% interest in the Sierra Alta project. A director and officer of Western is also a director and officer of the Company. See Note 7.

On June 29, 2020, a director of the Company loaned a total principal amount of $50,000 to the Company. No interest was paid in relation to the loan, and the loan was repaid in full on July 14, 2020.

Compensation of key management personnel of the Company

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company. During the years ended September 30, 2021 and 2020, the remuneration of directors and other key management personnel are as follows:

Expressed in Canadian Dollars

12. RELATED PARTY TRANSACTIONS (continued)

	Year ended September 30, 2021		2020
Management fees	$ 1,366,691	$	574,445
Share-based compensation	12,261,818		321,076
Total	$ 13,628,509	$	895,521

In connection with the July 15, 2021 private placement (see Note 8(i)), a director of the Company subscribed for 6,800 units of the offering, for gross proceeds of $7,480.

In connection with the July 10, 2020 private placement (see Note 8(vi)), officers and directors of the Company subscribed for 4,620,000 units of the Company for total proceeds of $231,000.

In connection with the August 13, 2020 private placement (see Note 8(vii)), officers and directors of the Company subscribed for 2,117,120 units of the Company for total proceeds of $296,397.

13. SEGMENT INFORMATION

The Company conducts its business as a single operating segment, being mineral exploration and evaluation in Spain. The following tables summarize the total assets and liabilities by geographic segment as at September 30, 2021 and 2020:

September 30, 2021	**Spain**	**Canada**	**Brazil**	**Total**
Cash and cash equivalents	$ 460,166	$ 26,317,264	$ -	$ 26,777,430
Other current assets	326,269	214,914	-	541,183
Reclamation deposit	92,238	-	-	92,238
Equipment	7,944	-	-	7,944
Total Assets	**$ 886,617**	**$ 26,532,178**	**$ -**	**$ 27,418,795**
Accounts payable and accrued liabilities	$ 458,801	$ 746,446	$ -	$ 1,205,247
Total liabilities	**$ 458,801**	**$ 746,446**	**$ -**	**$ 1,205,247**

September 30, 2020	**Spain**	**Canada**	**Brazil**	**Total**
Cash	$ 65,489	$ 711,592	$ 984	$ 778,065
Other current assets	62,997	238,061	25	301,083
Reclamation deposit	17,976	-	-	17,976
Equipment	4,744	-	3,133	7,877
Total Assets	**$ 151,206**	**$ 949,653**	**$ 4,142**	**$ 1,105,001**
Accounts payable and accrued liabilities	$ 70,003	$ 1,039,326	$ 121,480	$ 1,230,809
Loans payable	-	339,013	-	339,013
Total liabilities	**$ 70,003**	**$ 1,378,339**	**$ 121,480**	**$ 1,569,822**

Expressed in Canadian Dollars

13. SEGMENT INFORMATION (continued)

The following tables summarize the loss by geographic segment for the years ended September 30, 2021 and 2020:

September 30, 2021	**Spain**	**Canada**	**Brazil**	**Total**
Other income	$ -	$ (10,267)	$ -	$ (10,267)
Project evaluation expenses	1,783,550	-	-	1,783,550
General and administrative expenses	-	15,577,543	-	15,577,543
Foreign exchange loss	-	(119,796)	-	(119,796)
Loss	**$ 1,783,550**	**$ 15,447,480**	**$ -**	**$ 17,231,030**

September 30, 2020	**Spain**	**Canada**	**Brazil**	**Total**
Other income	$ -	$ (719,761)	$ -	$ (719,761)
Project evaluation expenses	304,339	7,680	791	312,810
General and administrative expenses	-	1,641,864	-	1,641,864
Foreign exchange loss	-	1,385	-	1,385
Loss	**$ 304,339**	**$ 931,168**	**$ 791**	**$ 1,236,298**

14. INCOME TAXES

Provision for income taxes

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

	2021 **$**	**2020** **$**
(Loss) before income taxes	(17,231,030)	(1,236,297)
Expected income tax recovery based on statutory rate	(4,566,000)	(328,000)
Adjustment to expected income tax recovery:		
Share based compensation	3,500,000	-
Expenses not deductible for tax purposes and other	(448,000)	1,000
Change in foreign exchange rates	90,000	212,000
Difference in tax rates	(55,000)	(13,000)
Change in benefit of tax assets not recognized	1,479,000	128,000
Deferred income tax provision (recovery)	-	-

Expressed in Canadian Dollars

14. INCOME TAXES (continued)

Deferred income taxes

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

	2021 $	2020 $
Temporary Differences		
Non-capital loss carry-forwards	17,032,000	15,221,000
Share issue costs	1,852,000	304,000
Other temporary differences	299,000	299,000
Total	19,183,000	15,824,000

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

Non-capital losses of $10,707,000 in Canada expire between 2029 and 2041. Non-capital losses of €4,253,000 ($6,326,000) in Spain expire between 2030 and 2039.

15. 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 party to certain management contracts. These contracts contain minimum commitments of approximately $592,000 (2020 - $313,000) and additional contingent payments of up to approximately $2,130,000 (2020 - $1,190,000). As a triggering event has not taken place, the contingent payments have not been reflected in these consolidated financial statements.

Officers of the Company will receive aggregate bonus payments totaling $400,000 upon the award of the Aznalcóllar Project in Spain and the completion of a subsequent financing. As a triggering event has not yet taken place, these contingent payments have not been reflected in these consolidated financial statements.

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. Although the outcome of such matters cannot be determined, it is the opinion of management that the final resolution of these matters will not have a material adverse effect on the Company's financial condition, operations or liquidity.

The Company's joint venture agreement with the Aldesa Group requires the Company to invest an additional €1,250,000 in the development of the Plaza Norte project should the project advance to later phases. It is not currently known whether the Plaza Norte project will advance to a stage where this investment is required, therefore the expenditure has not been reflected in these consolidated financial statements.

16. SUBSEQUENT EVENTS

Subsequent to September 30, 2021, 12,292,933 of the Company's warrants and 850,000 of the Company's options were exercised, generating additional proceeds of $4,080,201.