EMERITA
RESOURCES CORP.

Condensed Interim Consolidated Financial Statements

For the three and nine months ended June 30, 2018 and 2017

(Expressed in Canadian Dollars)

NOTICE OF NO AUDITOR REVIEW OF
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements, in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

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

`

As at:	Note	**June 30, 2018 $**	September 30, 2017 $
ASSETS			
Current			
Cash		**385,043**	518,719
Amounts receivable		**371,101**	109,003
Prepaid expenses		**29,659**	28,912
Total current assets		**785,803**	656,634
Long-term			
Reclamation deposit		**17,664**	16,952
Equipment		**12,346**	13,585
Investment in associate		**249,956**	-
Exploration and evaluation properties	4	**2,348,038**	477,494
Total assets		**3,413,807**	1,164,665
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	8,9	**1,544,844**	2,116,818
Total liabilities		**1,544,844**	2,116,818
SHAREHOLDERS' EQUITY			
Common shares	5	**11,355,821**	8,523,762
Warrants reserve	6	**1,514,176**	227,950
Option reserve	6	**348,000**	354,000
Deficit		**(11,349,034)**	(10,057,865)
Total shareholders' equity/(deficiency)		**1,868,963**	(952,153)
Total liabilities and shareholders' equity		**3,413,807**	1,164,665

Nature of operations and going concern	1
Commitments and contingencies	11
Subsequent events	12

Approved on behalf of the Board of Directors on August 28, 2018:

Signed: *"Catherine Stretch"*, Director

Signed: *"David Gower"*, Director

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

Emerita Resources Corp.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

Expressed in Canadian Dollars- Unaudited

	Note	Three months ended June 30, **2018** $	Three months ended June 30, 2017 $	Nine months ended June 30, **2018** $	Nine months ended June 30, 2017 $
Expenses					
Project evaluation expenses		**150,565**	187,396	**157,291**	344,860
Consulting and management fees		**226,876**	179,430	**911,579**	492,315
Professional fees		**29,344**	11,000	**49,646**	35,748
Shareholder communications, promotions, and filing fees		**29,777**	15,144	**109,866**	38,711
Travel expenses		**11,689**	7,876	**97,508**	19,632
Office expenses		**26,134**	13,325	**60,600**	72,498
Share-based compensation		**-**	9,530	**-**	74,555
Loss for the period before other items		**(474,385)**	(423,701)	**(1,386,490)**	(1,078,319)
Other items					
Other income		**1,324**	113	**3,338**	158
Foreign exchange gain/(loss)		**(7,686)**	(12,991)	**27,533**	(5,759)
Loss and comprehensive loss for the period		**(480,747)**	(436,579)	**(1,355,619)**	(1,083,920)
Basic and diluted loss per share		**$ (0.00)**	$ (0.00)	**$ (0.01)**	$ (0.01)
Weighted average number of common shares outstanding					
Basic and Diluted		**127,691,411**	88,134,378	**127,691,411**	88,134,378

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

Emerita Resources Corp.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

Expressed in Canadian Dollars- Unaudited

	Number of shares	Common Shares	Warrant Reserve	Option Reserve	Deficit	Shareholder's equity/(deficiency)
	#	$	$	$	$	$
Balance, September 30, 2017	**97,069,829**	**8,523,762**	**227,950**	**354,000**	**(10,057,865)**	**(952,153)**
Common shares issued, net of issue costs	44,426,000	4,166,735	-	-	-	4,166,735
Warrants issued	-	(1,211,476)	1,211,476	-	-	-
Warrants exercised	100,000	15,000	(5,000)	-	-	10,000
Warrants expired unexercised	-	-	(58,450)	-	58,450	-
Warrant revaluation (Note 6)	-	(138,200)	138,200	-	-	-
Options expired unexercised	-	-	-	(6,000)	6,000	-
Loss and comprehensive loss for the period	-	-	-	-	(1,355,619)	(1,355,619)
Balance, June 30, 2018	**141,595,829**	**11,355,821**	**1,514,176**	**348,000**	**(11,349,034)**	**1,868,963**
Balance, September 30, 2016	**83,597,829**	**6,950,482**	**425,336**	**328,000**	**(7,547,698)**	**156,120**
Warrants exercised	12,122,000	1,392,780	(180,579)	-	-	1,212,201
Options exercised	200,000	34,000	-	(14,000)	-	20,000
Warrants expired	-	-	(12,807)		12,807	-
Option reserve	-	-	-	74,555	-	74,555
Loss and comprehensive loss for the period	-	-	-	-	(1,083,920)	(1,083,920)
Balance, June 30, 2017	**95,919,829**	**8,377,262**	**231,950**	**388,555**	**(8,618,811)**	**378,956**

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

Emerita Resources Corp.

Condensed Interim Consolidated Statements of Cash Flows

Expressed in Canadian Dollars- Unaudited

	Note	Nine months ended June 30, 2018 $	2017 $
Cash (used in)/provided by:			
Operating activities			
(Loss) for the period		**(1,355,619)**	(1,083,920)
Items not involving cash:			
Share-based payment expense		**-**	74,555
Amortization		**6,221**	10,311
Working capital adjustments:			
Change in amounts receivable		**(262,098)**	(8,386)
Change in prepaid expenses		**(747)**	32,369
Change in accounts payable and accrued liabilities		**(571,974)**	319,333
Net cash (used in) operating activities		**(2,184,217)**	(655,738)
Investing activities			
Investment in associate	3	**(249,956)**	-
Exploration and evaluation properties, net of change in working capital		**(1,771,256)**	(33,521)
Property, plant and equipment		**(4,982)**	(3,967)
Net cash (used in) investing activities		**(2,026,194)**	(37,488)
Financing activities			
Proceeds from issuance of common shares	5	**4,342,600**	-
Cost of issue	5	**(275,865)**	-
Options exercised	6	**-**	20,000
Warrants exercised	6	**10,000**	1,212,200
Net cash provided by financing activities		**4,076,735**	1,232,200
Change in cash, during the period		**(133,676)**	538,974
Cash, beginning of period		**518,719**	306,773
Cash, end of period		**385,043**	845,747
SUPPLEMENTAL INFORMATION			
Issuance of common shares for property (Note 4a)		**100,000**	-

The accompanying notes are an integral part of these condensed interim 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 Gold 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 owns the following subsidiaries:

- A 100% interest in 2244182 Ontario Inc. ("2244182"), which owns Emerita Resources Espana SL ("Emerita Espana"), a company incorporated on May 30, 2012 in Spain.
- A 99% interest in Emerita do Brazil Mineracao Ltda. ("Emerita Brazil"), a company incorporated on December 9, 2017 in Brazil.
- A 75% interest in Zinco das Gerais, a company incorporated on August 15, 2017 in Brazil.

The Company is currently engaged in the acquisition, exploration and development of mineral properties. The head office and principal address of the Company is 65 Queen Street West, Suite 800, Toronto, Ontario, M5H 2M5.

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 amounts shown for exploration and evaluation properties is dependent upon the establishment of a sufficient quantity of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development and upon future profitable production or proceeds from the disposition of these assets.

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

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. Material uncertainties as mentioned above cast significant doubt upon the Company's ability to continue as a going concern.

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

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These condensed interim consolidated financial statements are in compliance with IAS 34, *Interim Financial Reporting*. Accordingly, certain information and disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), have been omitted or condensed. These condensed interim consolidated financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended September 30, 2017.

Basis of presentation and consolidation

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

These condensed interim 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. Refer to Note 3.

Approval of the consolidated financial statements

These condensed interim consolidated financial statements of the Company for the three and nine months ended June 30, 2018 and 2017 were reviewed, approved and authorized for issue by the Board of Directors of the Company on August 28, 2018.

Critical judgements and estimation uncertainties

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

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

Assets' carrying values and impairment charges

In the determination of carrying values and impairment charges, management looks at the higher of recoverable amount or fair value less costs to sell in the case of assets and at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Critical judgements and estimation uncertainties (continued)

Capitalization of exploration and evaluation costs

Management has determined that exploration and evaluation costs incurred have future economic benefits and are economically recoverable. In making this judgement, management has assessed various sources of information including, but not limited to, the geologic and metallurgic information, operating management expertise and existing permits. See Note 4 for details of the Company's capitalized exploration and evaluation costs.

Impairment of exploration and evaluation properties

While assessing whether any indications of impairment exist for exploration and evaluation properties, consideration is given to both external and internal sources of information. Changes in the market and the economic and legal environment in which the Company operates that are not within its control affect the recoverable amount of exploration and evaluation properties. Internal sources of information considered by the Company include the manner in which exploration and evaluation properties are being used or are expected to be used and indications of expected economic performance of the properties. Estimates include but are not limited to estimates of the discounted future cash flows expected to be derived from the Company's properties, costs to sell the properties and the appropriate discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write-down of the carrying amounts of the Company's exploration and evaluation properties.

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 Note 11.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical judgements and estimation uncertainties (continued)

Joint Venture

Judgement is required to determine the type of joint arrangement that exists. This judgement involves considering the 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 upon by the parties in the contractual arrangement and, when relevant, other facts and circumstances.

The Company has a joint arrangement with the Aldesa Group, and has joint control over this arrangement under a contractual agreement. Unanimous consent is required from both parties to the agreement for establishing certain key strategic, operating, investing and financing policies. The Company's joint arrangement is structured as a corporation (Cantabrica del Zinc) and provides the parties with rights to the net assets of the limited company under the arrangement. Therefore, this arrangement has been classified as a joint venture and has been recorded as an investment in associate. Refer to Note 3.

New accounting policies

IFRS 11- Joint Arrangements

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 interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Company's net investment in the joint ventures), the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the joint ventures. 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.

3. INVESTMENT IN ASSOCIATE

On October 26, 2017, the Company, along with its Spanish joint venture partner the Aldesa Group ("Aldesa"), were awarded exploration concessions for 3,600 hectares 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 have been granted for an initial term of three years, with the option to renew. The Company and Aldesa each own a 50% interest in Cantabrica del Zinc ("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. Effective October 26, 2017, the Company accounts for this investment using the equity method and is recognized as an Investment in Associate on the Statement of Financial Position, as at June 30, 2018.

Expressed in Canadian Dollars

3. INVESTMENT IN ASSOCIATE (continued)

Cantabrica del Zinc, S.L.

		June 30, 2018
Cash and cash equivalents	$	**134,472**
Current assets		**135,029**
Mineral property expenditures		**654,335**
Property, plant and equipment		**16,734**
Current liabilities	$	**(442,982)**

4. EXPLORATION AND EVALUATION PROPERTIES

	Salobro Project $	Las Morras Property $	Falcon Litio Project $	Total $
Balance, September 30, 2017	**-**	**339,994**	**137,500**	**477,494**
Cost incurred during the period:				
Purchase option (a) (b)	100,000	(100,000)	-	**-**
Land management fees, taxes and permits	444,637	-	-	**444,637**
Labour, contract geologists, prospectors	462,364	-	-	**462,364**
Field expenses	36,862	-	-	**36,862**
Drilling & geophysics	543,849	-	-	**543,849**
Travel, meals and accommodations	70,102	-	-	**70,102**
Legal fees	297,946	-	-	**297,946**
Project overhead costs	14,784	-	-	**14,784**
Balance, June 30, 2018	**1,970,544**	**239,994**	**137,500**	**2,348,038**

As at June 30, 2018, the Company has valid permits for two gold exploration properties, and one zinc exploration property in Brazil being Salobro and one held through the Company's joint arrangement with the Aldesa Group. Exploration and evaluation expenditures for the Company's joint arrangement are recognized in these financial statements as an investment in associate (Note 3). Each of the gold properties is comprised of exploration permits that were issued by the Extremadura regulatory authorities and the Asturias regulatory authorities in Spain, respectively. The Company also has an option to acquire a lithium property in Brazil.

a) Salobro Project

- The Salobro Project is comprised of two mining applications covering 1,209.75 hectares in the Municipality of Porteirinha, Minas Gerais State, Brazil, in an area well serviced with infrastructure including a zinc smelter, paved roads, cellular coverage, rail, water and power.

- On July 14, 2017, the Company entered a definitive agreement (the "**Definitive Agreement**") with Vale S.A. ("**Vale**") and IMS Engenharia Mineral Ltda. ("**IMS**") to acquire the Salobro zinc project ("the **Salobro Project**"). The Company completed the acquisition on March 15, 2018 and created a Brazilian subsidiary, Zinco das Gerais, to formally hold and operate the Salobro Project. The Company owns 75% of Zinco das Gerais with an exclusive right to acquire the remaining 25% interest from IMS at its sole option.

4. EXPLORATION AND EVALUATION PROPERTIES (continued)

- Pursuant to the Definitive Agreement, the Company paid USD$350,000 in cash to Vale, and will make additional cash payments on the following schedule:

  - US$1,650,000 on or before August 30, 2018. The Company has entered an agreement with Vale to extend the payment date from the original payment date which was the first anniversary of the Definitive Agreement;
  - US$1,500,000 on or before the third anniversary of the Definitive Agreement; and
  - US$3,000,000 on or before the seventh anniversary of the Definitive Agreement.

- Zinco das Gerais holds the Salobro Project in trust for Vale until the Consideration has been fully paid by the Company. If the Company fails to pay any installment of the Consideration to Vale and the breach is not remedied within 30 days, Vale may request that the Salobro Project be returned by Zinco das Gerais to Vale and Vale shall retain any portion of the Consideration it has received up until such time. Therefore, the Company accounts for the Salobro Project on a historical cost basis.

- As consideration for IMS transferring the rights to the Salobro Project to Zinco das Gerais, the Company issued 1,000,000 of its common shares to IMS on March 15, 2018. The Company has the right to acquire IMS's 25% interest in Zinco das Gerais, up to 48 months from the date of Definitive Agreement execution, by paying CAD$2,000,000 in cash to IMS or its nominee and issuing an additional 1,000,000 common shares to IMS or its nominee.

b) Las Morras Property

- The original exploration permit for Las Morras Property is comprised of 230 claims, totaling approximately 7,000 hectares. The original exploration permit for Las Morras was granted in 2012 with an expiry date of April 17, 2015 subject to a right of renewal for an additional three-year term. The Company applied for an additional three-year term and received approval of the renewal for a period of two years on August 20, 2015. A subsequent renewal for an additional period of two years was granted on January 20, 2017. This property is in the eastern part of the Badajoz Province of Spain.

- On November 14, 2017 the Company entered into a binding letter agreement with Copper One Inc. ("Copper One") pursuant to which the Company has granted Copper One an option ("the Option") to acquire a 100% interest in the Las Morras Project. As consideration for the Option, Copper One paid $25,000 in cash to the Company on November 17, 2017 and paid an additional $75,000 in cash to the Company on January 9, 2018.

  In order to exercise the Option and acquire a 100% interest in the Project, Copper One shall:
  - pay $100,000 in cash to the Company on or before November 14, 2019;
  - spend $500,000 on exploration activities on the Project on or before November 14, 2019;
  - pay $250,000 in cash to the Company on or before November 14, 2020;
  - spend $1,500,000 on exploration activities on the Project on or before November 14, 2021; and
  - grant to the Company a 2% net smelter return royalty on the Project.

  As a result of the agreement, the Company has written down the value of the property as at September 30, 2017 to the present value of the consideration expected to be received by the Company if the Option is completed, using an estimated discount rate of 15%.

4. EXPLORATION AND EVALUATION PROPERTIES (continued)

c) Sierra Alta Property

- The Sierra Alta Property is comprised of one exploration permit which consists of 90 mining claims comprising approximately 2,700 hectares 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 through the publication of the granting in the regional gazette. From that date, the concession is valid for a three year term and is renewable for equal and successive periods of three years. The permit was renewed in July 2017, and will expire in July 2020.

d) Brazil Lithium- what is the status? Will the final tranche be issued?

- In June 2016, the Company entered into a binding letter agreement (the "Falcon Agreement") with Falcon Metais Ltda. ("Falcon") pursuant to which Falcon granted to Emerita an option (the "Option") to acquire a 100% interest in the Falcon Litio MG Project (the "Falcon Project") on or before June 13, 2018 (the "Option Expiry Date"). The Falcon Project is located in Minas Gerais State, Brazil, and is comprised of one exploration permit and five applications for exploration permits. The applications for exploration permits have been submitted to the Brazilian Mining Agency by Falcon and will be transferred to Emerita when the exploration permits are granted.

- In order to acquire the Option, Emerita issued 500,000 common shares to Falcon in June 2016, at a price per share of $0.155 based on the quoted market value of the shares on the date of issuance. An additional 500,000 common shares were issued on August 28, 2017 at a price per share of $0.12 based on the quoted market value of the shares on the date of issuance. In order to exercise the Option and acquire the Falcon Project, Emerita must issue a third tranche of 500,000 common shares to Falcon on or before the Option Expiry Date. All issuances of common shares of Emerita are subject to a statutory hold period and to approval by the TSXV. If Emerita exercises the Option and acquires the Falcon Project, Falcon will retain a transferable 2% net smelter royalty on all commercial sales from the Falcon Project.

- In addition, if a "mineral resource", as defined in National Instrument 43-101 ("NI 43-101"), of at least 20 million tonnes with a grade of at least 1.3% LiO2 is delineated at the Project, Emerita shall either, (i) pay $5 million in cash to Falcon or, by its sole discretion, (ii) issue $5 million worth (to be determined on a reasonable volume weighted average price basis) of common shares to Falcon (the "Resource Consideration").

- The Resource Consideration shall only be paid by Emerita if (i) the mineral resource is verified by a "qualified person", as such term is defined in NI 43-101, who is independent of Emerita and Falcon, and (ii) at least 50% of the mineral resource is categorized as an "indicated mineral resource" or "measured mineral resource", as defined in NI 43-101.

- Pursuant to the Agreement, Falcon will hold the Project in trust for Emerita until Emerita exercises the Option and the Project is assigned and transferred to Emerita. If Emerita does not exercise the Option by the Option Expiry Date, Falcon will retain the Project.

5. COMMON SHARES

Authorized

At June 30, 2018, the authorized share capital consisted of an unlimited number of common shares without par value.

Expressed in Canadian Dollars

5. COMMON SHARES (continued)

Common Shares Issued

	Number of shares outstanding		Amount
Balance, September 30, 2016	**83,597,829**	**$**	**6,950,482**
Mineral Property Option Acquisition (iii)	500,000		60,000
Warrant exercise	12,522,000		1,252,200
Option exercise	450,000		45,000
Revaluation of broker warrants	-		3,433
Valuation allocation of exercise of warrants	-		181,147
Valuation allocation of exercise of options	-		31,500
Balance, September 30, 2017	**97,069,829**	**$**	**8,523,762**
Mineral Property Option Acquisition (ii)	1,000,000		100,000
Private placement, net of issuance costs (i)	43,426,000		4,066,735
Warrant valuation	-		(1,349,676)
Warrant exercise	100,000		10,000
Valuation allocation of exercise of warrants	-		5,000
Balance, June 30, 2018	**141,595,829**	**$**	**11,355,821**

(i) On December 20, 2017, the Company completed a private placement financing by issuing 43,426,000 units at a price of $0.10 per unit for gross proceeds of $4,342,600. Each unit is comprised of one common share and one half of one common share purchase warrant. Each warrant is exercisable at a price of $0.20 per full warrant until December 20, 2019. The fair value of the 21,713,000 warrants issued was estimated at $1,085,650 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 130%; risk-free interest rate of 1.63% and an expected life of 2 years. In addition, 2,097,095 finder warrants were granted. Each finder warrant is exercisable at a price of $0.10 per warrant until December 20, 2019. The fair value of the finder warrants was estimated at $125,826 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 130%; risk-free interest rate of 1.63% and an expected life of 2 years.

(ii) On March 15, 2018, the Company completed the acquisition of the Salobro zinc project. Pursuant to the terms of the transaction, the Company issued 1,000,000 common shares to IMS Engenharia Mineral Ltda. ("**IMS**"), at a price per share of $0.10 based on the quoted market price of the shares on the date of issuance.

(iii) On June 13, 2016, the Company entered into a binding letter agreement with Falcon Metais Ltda., granting the Company an option to acquire a 100% interest in the Falcon Litio MG Project on or before June 13, 2018. In order to acquire the option, the Company issued 500,000 common shares at a price per share of $0.155 based on the quoted market price of the shares on the date of issuance. An additional 500,000 common shares were issued on August 28, 2017 at a price per share of $0.12 based on the quoted market price of the shares on the date of issuance (Note 4).

Expressed in Canadian Dollars

6. EQUITY RESERVES

Warrants

The changes in warrants issued during the year ended September 30, 2017 and nine months ended June 30, 2018 are as follows:

	Number of warrants	Weighted average exercise price	Value of warrants
Balance, September 30, 2016	**34,057,400**	**$ 0.10**	**$ 425,336**
Exercised, January 2017	(1,393,400)	0.10	(20,693)
Exercised, February 2017	(2,270,000)	0.10	(28,318)
Exercised, March 2017	(1,430,000)	0.10	(21,243)
Exercised, April 2017	(7,000,000)	0.10	(109,326)
Expired, April 2017	(820,000)	0.10	(12,806)
Exercised, June 2017	(100,000)	0.10	(1,000)
Exercised, August 2017	(400,000)	0.10	(4,000)
Balance, September 30, 2017	**20,644,000**	**$ 0.10**	**$ 227,950**
Exercised, November 2017	(100,000)	0.10	(5,000)
Granted, December 2017	23,810,095	0.19	1,211,476
Expired, December 24 2017	(3,900,000)	0.10	(48,750)
Expired, May 2018	(194,000)	0.10	(9,700)
Extension, May 2018	-	0.10	138,200
Balance, June 30, 2018	**40,260,095**	**$ 0.15**	**$ 1,514,176**

The following summarizes the warrants outstanding as of June 30, 2018:

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
16,450,000	16,450,000	20-May-16	20-Aug-18	$0.10	302,700	111%	0.62%	2.00	0%
21,713,000	21,713,000	20-Dec-17	20-Dec-19	$0.20	1,085,650	130%	1.63%	2.00	0%
2,097,095	2,097,095	20-Dec-17	20-Dec-19	$0.10	125,826	130%	1.63%	2.00	0%
40,260,095	**40,260,095**				**1,514,176**				

The weighted-average remaining contractual life of the warrants as of June 30, 2018 is 0.93 years (2017 – 0.82 years).

On May 16, 2018, the Company received approval from the TSXV to extend to August 20, 2018 the expiry date of 16,450,000 purchase warrants that were previously set to expire on May 20, 2018.

Expressed in Canadian Dollars

6. EQUITY RESERVES (continued)

Share-based payments

The changes in stock options issued during the year ended September 30, 2017 and nine months ended June 30, 2018 are as follows:

	Number of options	Weighted average exercise price	Estimated grant date fair value
Balance, September 30, 2016	**5,000,000**	**$ 0.10**	**$ 328,000**
Granted, October 24, 2016	1,650,000	0.10	82,500
Exercised, February 6, 2017	(200,000)	0.10	(14,000)
Exercised, August 16, 2017	(250,000)	0.10	(17,500)
Cancelled, September 30, 2017	(500,000)	0.10	(25,000)
Balance, September 30, 2017	**5,700,000**	**$ 0.10**	**$ 354,000**
Expired, November 25, 2017	(200,000)	0.10	(4,000)
Expired, March 1, 2018	(200,000)	0.05	(2,000)
Balance, June 30, 2018	**5,300,000**	**$ 0.10**	**$ 348,000**

Options outstanding as of June 30, 2018 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
4,000,000	4,000,000	29-Aug-16	29-Aug-21	$0.10	280,000	128%	0.72%	5.00	0%
150,000	150,000	08-Sep-16	08-Sep-21	$0.10	10,500	128%	0.68%	5.00	0%
1,150,000	1,150,000	24-Oct-16	24-Oct-21	$0.10	57,500	111%	0.53%	5.00	0%
5,300,000	**5,300,000**				**348,000**				

The weighted average remaining contractual life of the options as at June 30, 2018 is 3.20 years (2017 – 4.00 years).

7. CAPITAL MANAGEMENT

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

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

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

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no significant changes in the Company's approach to capital management during the nine months ended June 30, 2018.

7. 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.

8. FINANCIAL INSTRUMENTS

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

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

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

The Company's financial instruments include cash and accounts payable and accrued liabilities. The carrying values of these financial instruments reported in the statement of financial position approximate their respective fair values due to the relatively short-term nature of these instruments. As at June 30, 2018, 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.

b. *Cash*
In order to manage credit and liquidity risk the Company's policy is to invest only in highly rated investment grade instruments that have maturities of three months or less. Limits are also established based on the type of investment, the counterparty and the credit rating.

(b) *Currency risk*

Currency risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will fluctuate because of changes in foreign exchange rates. The Company's foreign currency risk arises primarily with respect to the Euro and Brazilian reals from its property interests in Spain and Brazil, 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.

8. FINANCIAL INSTRUMENTS (continued)

As at September 30, 2017 and June 30, 2018, the Company had the following financial instruments and denominated in foreign currency (expressed in Canadian dollars):

June 30, 2018

		Euro		US dollars
Cash	$	104,579	$	7,731
Accounts payable and accrued liabilities		(354,911)		(444,817)
	$	(250,332)	$	(437,086)

September 30, 2017

		Euro		US dollars
Cash	$	47,914	$	1,093
Accounts payable and accrued liabilities		(390,345)		(468,906)
	$	(342,431)	$	(467,813)

A 10% strengthening (weakening) of the Canadian dollar against the Euro and US dollar would decrease (increase) net loss by approximately $25,000 (September 30, 2017- $34,000) and $44,000 (September 30, 2017- $47,000), respectively.

(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 June 30, 2018, the Company had a cash balance of $385,043 (September 30, 2017 - $518,719) to settle current liabilities of $1,544,844 (September 30, 2017 - $2,116,818). The Company’s trade payables have contractual maturities of less than 30 days and are subject to normal trade terms.

(d) Commodity / Equity price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, as they relate to gold 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.

9. 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 June 30, 2018, an amount of $918,817, included in accounts payable, were owed to directors and officers of the Company (September 30, 2017 - $972,436). The amounts outstanding on fees are unsecured, non-interest bearing, with no fixed terms of repayment.

Expressed in Canadian Dollars

9. RELATED PARTY TRANSACTIONS (continued)

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 nine months ended June 30, 2018 and 2017, the remuneration of directors and other key management personnel are as follows:

	Nine months ended June 30, 2018	Nine months ended June 30, 2017
Short-term benefits	$ 392,687	$ 303,441

In connection with the December 20, 2017 placement (see Note 5(i)), officers and directors of the Company subscribed for 4,250,000 units of the Company for total proceeds of $425,000.

10. SEGMENT INFORMATION

The Company conducts its business as a single operating segment, being mineral exploration and evaluation in Spain and Brazil. The following tables summarize the total assets and liabilities by geographic segment as at June 30, 2018 and September 30, 2017:

June 30, 2018	**Spain**	**Canada**	**Brazil**	**Total**
Cash	$ 104,579	$ 280,464	$ -	$ 385,043
Other current assets	290,171	110,589	-	400,760
Reclamation deposit	17,664	-	-	17,664
Property, plant and equipment	12,346	-	-	12,346
Investment in associate	249,956	-	-	249,956
Exploration and evaluation properties	239,994	-	2,108,044	2,348,038
Total Assets	**$ 914,710**	**$ 391,053**	**$ 2,108,044**	**$ 3,413,807**
Accounts payable and accrued liabilities	$ 354,911	$ 1,189,933	$ -	$ 1,544,844
Total liabilities	**$ 354,911**	**$ 1,189,933**	**$ -**	**$ 1,544,844**

September 30, 2017	**Spain**	**Canada**	**Brazil**	**Total**
Cash	$ 47,914	$ 470,805	$ -	$ 518,719
Other current assets	101,494	36,421	-	137,915
Reclamation deposit	16,952	-	-	16,952
Property, plant and equipment	13,585	-	-	13,585
Exploration and evaluation properties	477,494	-	-	477,494
Total Assets	**$ 657,439**	**$ 507,226**	**$ -**	**$ 1,164,665**
Accounts payable and accrued liabilities	$ 390,345	$ 1,726,473	$ -	$ 2,116,818
Total liabilities	**$ 390,345**	**$ 1,726,473**	**$ -**	**$ 2,116,818**

Expressed in Canadian Dollars

10. SEGMENT INFORMATION (continued)

The following tables summarize the loss by geographic segment for the nine months ended June 30, 2018 and 2017:

June 30, 2018	Spain	Canada	Total
Other income	$ -	$ (3,338)	(3,338)
Project evalution expenses	157,291	-	157,291
General and administrative expenses	-	1,229,199	1,229,199
Foreign exchange (gain)/loss	-	(27,533)	(27,533)
Loss	**$ 157,291**	**$ 1,198,328**	**$ 1,355,619**

June 30, 2017	Spain	Canada	Total
Other income	$ -	$ (158)	$ (158)
Project evalution expenses	344,860	-	$ 344,860
General and administrative expenses	-	733,459	$ 733,459
Foreign exchange (gain)/loss	-	5,759	$ 5,759
Loss	**$ 344,860**	**$ 739,060**	**$ 1,083,920**

11. 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 $325,000 (2017 - $324,000) and additional contingent payments of up to approximately $1,245,000 (2017 - $1,235,000) upon the occurrence of a change of control. As a triggering event has not taken place, the contingent payments have not been reflected in these 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 has been named as a defendant in a claim made by a group of companies regarding the payment of outstanding amounts owing to the group of companies relating to certain advertising services. The plaintiff is seeking payment in the amount of € 208,457 (approximately $320,000). Although the ultimate outcome of this action cannot be ascertained at this time and the results of legal proceedings cannot be predicted with certainty, management believes this claim to be without merit.

12. SUBSEQUENT EVENTS

On July 26, 2018, the Company announced a non-brokered private placement financing of up to 60,000,000 units of the Company at a price of $0.05 per unit for gross proceeds of up to $3,000,000. Each unit shall be comprised of one common share of the Company and one-half of one common share purchase warrant. Each whole warrant shall entitle the holder to acquire one common share of the Company at a price of $0.15 for a period of 24 months following the closing date of the Offering.

12. SUBSEQUENT EVENTS (continued)

The proceeds of the Offering will be used to continue the exploration program on the Salobro zinc project, satisfy the previously announced upcoming payment to Vale S.A. in connection with the Company's acquisition of the Salobro project and for general corporate purposes. The closing date of the Offering is expected to occur in the next fiscal quarter.

On August 1, 2018, David Gower was appointed the Chief Executive Officer of the Company, with Michael Timmins becoming the Chairman of the Company's Board of Directors.

On August 20, 2018, 16,450,000 of the Company's warrants expired.