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**Condensed Interim Consolidated Financial Statements**

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**For the three and six months ended March 31, 2019 and 2018**

**(Expressed in Canadian Dollars)**

**NOTICE OF NO AUDITOR REVIEW OF  
CONDENSED INTERIM 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 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 financial statements, in accordance with standards established by the Chartered Professional Accountants of Canada (CPA Canada) 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:		March 31, 2019	September 30, 2018
	Note	\$	\$
<b>ASSETS</b>			
Current			
Cash		36,789	31,325
Amounts receivable		183,255	169,935
Prepaid expenses		19,728	18,059
<b>Total current assets</b>		<b>239,772</b>	<b>219,139</b>
Long-term			
Reclamation deposit		17,252	17,273
Equipment		15,062	16,941
Investment in associate	3	242,732	243,024
Exploration and evaluation properties	4	397,494	397,494
<b>Total assets</b>		<b>912,312</b>	<b>894,051</b>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable and accrued liabilities	8,9	1,461,410	2,049,613
Loans payable	7	216,089	-
<b>Current liabilities</b>		<b>1,677,499</b>	<b>2,049,613</b>
Long-term loans payable		260,142	-
<b>Total liabilities</b>		<b>1,937,641</b>	<b>2,049,613</b>
<b>SHAREHOLDERS' EQUITY</b>			
Common shares	5	11,775,614	11,775,614
Warrant reserve	6	951,105	951,105
Option reserve	6	348,000	348,000
Deficit		(14,100,048)	(14,230,281)
<b>Total shareholders' equity/(deficiency)</b>		<b>(1,025,329)</b>	<b>(1,155,562)</b>
<b>Total liabilities and shareholders' equity/(deficiency)</b>		<b>912,312</b>	<b>894,051</b>
Nature of operations and going concern	1		
Commitments and contingencies	11		
Subsequent events	12		

Approved on behalf of the Board of Directors on May 30, 2019:

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 March 31,		Six months ended March 31,	
		2019 \$	2018 \$	2019 \$	2018 \$
<b>Expenses</b>					
Project evaluation expenses		(17,028)	(69,179)	141,512	6,726
Consulting and management fees		310,639	372,254	444,623	684,703
Professional fees		4,000	11,060	4,400	20,302
Shareholder communication and filing fees		17,068	(13,221)	34,674	20,929
Promotion		(3,784)	59,160	6,324	59,160
Travel expenses		-	51,214	-	85,819
Office expenses		28,985	22,622	44,465	34,466
<b>Loss for the period before other items</b>		<b>(339,880)</b>	<b>(433,910)</b>	<b>(675,998)</b>	<b>(912,105)</b>
<b>Other items</b>					
Gain on settlement of liabilities	9	-	-	890,153	-
Interest income		67	1,858	67	2,014
Interest expense		(22,757)	-	(25,786)	-
Foreign exchange gain/(loss)		(965)	3,972	(58,203)	35,219
<b>Comprehensive gain/(loss) for the period</b>		<b>(363,535)</b>	<b>(428,080)</b>	<b>130,233</b>	<b>(874,872)</b>
<b>Basic and diluted gain/(loss) per share</b>					
		\$ (0.00)	\$ (0.00)	\$ 0.00	\$ (0.01)
<b>Weighted average number of common shares outstanding</b>					
Basic and Diluted		142,095,829	121,239,203	142,095,829	121,239,203

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 \$	Shareholders' equity/(deficiency) \$
<b>Balance, September 30, 2018</b>	<b>97,069,829</b>	<b>11,775,614</b>	<b>951,105</b>	<b>348,000</b>	<b>(14,230,281)</b>	<b>(1,155,562)</b>
Gain and comprehensive gain for the period	-	-	-	-	130,233	130,233
<b>Balance, March 31, 2019</b>	<b>97,069,829</b>	<b>11,775,614</b>	<b>951,105</b>	<b>348,000</b>	<b>(14,100,048)</b>	<b>(1,025,329)</b>
<b>Balance, September 30, 2017</b>	<b>97,069,829</b>	<b>8,523,762</b>	<b>227,950</b>	<b>354,000</b>	<b>(10,057,865)</b>	<b>(952,153)</b>
Common shares issued, net of issue costs	44,426,000	4,166,735	-	-	-	4,166,735
Warrants	-	(1,211,476)	1,211,476	-	-	-
Warrants exercised	100,000	11,000	(1,000)	-	-	10,000
Warrants expired unexercised	-	-	(48,750)	-	48,750	-
Options expired unexercised	-	-	-	(6,000)	6,000	-
Loss and comprehensive loss for the period	-	-	-	-	(874,872)	(874,872)
<b>Balance, March 31, 2018</b>	<b>141,595,829</b>	<b>11,490,021</b>	<b>1,389,676</b>	<b>348,000</b>	<b>(10,877,987)</b>	<b>2,349,710</b>

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*

	Six months ended March 31,	
	2019	2018
	\$	\$
<b>Cash (used in)/provided by:</b>		
<b>Operating activities</b>		
Gain/(Loss) for the period	130,233	(874,872)
Items not involving cash:		
Interest expense	10,142	-
Amortization	1,487	5,455
Unrealized loss/(gain) on foreign exchange	705	-
Working capital adjustments:		
Change in amounts receivable	(13,320)	(366,422)
Change in prepaid expenses	(1,669)	(29,419)
Change in accounts payable and accrued liabilities	(372,114)	(673,436)
<b>Net cash (used in) operating activities</b>	<b>(244,536)</b>	<b>(1,938,694)</b>
<b>Investing activities</b>		
Property, plant and equipment	-	(4,982)
Investment in associate	-	(256,401)
Exploration and evaluation properties, net of change in working capital	-	(1,001,295)
<b>Net cash (used in) investing activities</b>	<b>-</b>	<b>(1,262,678)</b>
<b>Financing activities</b>		
Proceeds from issuance of common shares	-	4,342,600
Cost of issue	-	(275,865)
Proceeds from long-term loan	250,000	-
Warrants exercised	-	10,000
<b>Net cash provided by financing activities</b>	<b>250,000</b>	<b>4,076,735</b>
<b>Change in cash, during the period</b>	<b>5,464</b>	<b>875,363</b>
<b>Cash, beginning of period</b>	<b>31,325</b>	<b>518,719</b>
<b>Cash, end of period</b>	<b>36,789</b>	<b>1,394,082</b>

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

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# **Emerita Resources Corp.**

## **Notes to the Condensed Interim Consolidated Financial Statements**

**For the three and six months ended March 31, 2019 and 2018**

*Expressed in Canadian Dollars - Unaudited*

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### **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 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.

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# **Emerita Resources Corp.**

## **Notes to the Condensed Interim Consolidated Financial Statements For the three and six months ended March 31, 2019 and 2018**

*Expressed in Canadian Dollars- Unaudited*

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### **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, 2018.

#### ***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 Zinco S.L. ("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 three and six months ended March 31, 2019 and 2018 were reviewed, approved and authorized for issue by the Board of Directors of the Company on May 30, 2019.

#### ***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.



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## **Emerita Resources Corp.**

### **Notes to the Condensed Interim Consolidated Financial Statements**

**For the three and six months ended March 31, 2019 and 2018**

*Expressed in Canadian Dollars- Unaudited*

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## **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.

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# Emerita Resources Corp.

## Notes to the Condensed Interim Consolidated Financial Statements For the three and six months ended March 31, 2019 and 2018

Expressed in Canadian Dollars - Unaudited

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Critical judgements and estimation uncertainties (continued)*

##### Joint arrangement

The Company has a joint arrangement with the Aldesa Group (see Note 3). 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 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.

Judgment is required to determine the type of joint arrangement that exists. This judgment 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 to by the parties in the contractual arrangement and, when relevant, other facts and circumstances.

### 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. In December of 2018, the rights to the Plaza Norte Project were extended for an additional term of 13 months. The Company and Aldesa each own a 50% interest in Cantabrica del Zinco S.L. ("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 it is recognized as an Investment in and advances to associate on the Statement of Financial Position.

On March 18, 2019, along with Aldesa, the Company announced the commencement of the first diamond drilling campaign at the Plaza Notre Project. Based on a review of historical data, the Company has highlighted 4 key areas as high priorities for the exploration program.

Changes in the investment in and advances to associate for the year ended September 30, 2018 and six months ended March 31, 2019 were as follows:

	\$
<b>Balance, September 30, 2017</b>	-
50% investment in associate	242,732
<b>Balance, September 30, 2018 and March 31, 2019</b>	<b>242,732</b>
<hr/>	
Cash and cash equivalents	\$ 85,028
Current assets	380,197
Mineral property expenditures	753,201
Property, plant and equipment	14,499
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Current liabilities	\$ (395,727)
Long-term liabilities	(351,734)

Cantabrica did not have any revenues or expenses during the period from its incorporation to March 31, 2019.

# Emerita Resources Corp.

## Notes to the Condensed Interim Consolidated Financial Statements For the three and six months ended March 31, 2019 and 2018

Expressed in Canadian Dollars- Unaudited

### 4. EXPLORATION AND EVALUATION PROPERTIES

	Salobro Project \$	Las Morras Property \$	Falcon Litio Project \$	Total \$
<b>Balance, September 30, 2017</b>	-	339,994	137,500	477,494
Cost incurred during the year:				-
Purchase option (a,b,d)	100,000	(100,000)	20,000	20,000
Land management fees, taxes and permits	374,108	-	-	374,108
Labour, contract geologists, prospectors	641,248	-	-	641,248
Field expenses	57,922	-	-	57,922
Drilling & geophysics	662,963	-	-	662,963
Technical reports	-	-	-	-
Travel, meals and accommodations	84,475	-	-	84,475
Legal fees	295,886	-	-	295,886
Project overhead costs	55,806	-	-	55,806
Property writeoff (d)	(2,272,408)	-	-	(2,272,408)
<b>Balance, September 30 and March 31, 2019</b>	-	239,994	157,500	397,494

As at March 31, 2019, the Company has valid permits for two gold exploration properties, one lithium property, and one zinc exploration property held through the Company's joint arrangement with the Aldesa Group. Each of the gold properties is comprised of exploration permits that were issued by the Extramadura regulatory authorities and the Asturian regulatory authorities in Spain, respectively. The zinc property is comprised of exploration permits that were issued by the Cantabrian regulatory authorities in Spain. The lithium property is comprised of exploration permits that were issued by the Minas Gerais regulatory authorities in Brazil.

#### a) Falcon Litio Property

- 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 "Litio Project"). The Litio Project is located in Minas Gerais State, Brazil, and is comprised of five exploration permits and one application for an exploration permit.
- 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. On September 12, 2018, the Company exercised its option and acquired a 100% interest in the Falcon Project by issuing a third tranche of 500,000 common shares to Falcon at a price per share of \$0.04, based on the quoted market value of the shares on the date of issuance. All issuances of common shares of Emerita are subject to a statutory hold period and to approval by the TSXV. Falcon will retain a transferable 2% net smelter royalty on all commercial sales from the Litio 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% LiO<sub>2</sub> 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").

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# **Emerita Resources Corp.**

## **Notes to the Condensed Interim Consolidated Financial Statements For the three and six months ended March 31, 2019 and 2018**

*Expressed in Canadian Dollars - Unaudited*

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### **4. EXPLORATION AND EVALUATION PROPERTIES (continued)**

#### **a) Falcon Lito Property (Continued)**

- 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.

#### **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. The Company has filed a request for an additional extension with government authorities and expects that approval is imminent. This property is in the eastern part of the Extremadura 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 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%.

#### **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 on July 21, 2020.

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# **Emerita Resources Corp.**

## **Notes to the Condensed Interim Consolidated Financial Statements**

**For the three and six months ended March 31, 2019 and 2018**

*Expressed in Canadian Dollars - Unaudited*

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### **4. EXPLORATION AND EVALUATION PROPERTIES (continued)**

#### **d) Salobro Zinc Property**

- The project is comprised of two mining applications covering 1,209.75 hectares in the Municipality of Porteirinha, Minas Gerais State, Brazil. On July 14, 2017, the Company entered a definitive agreement with Vale S.A. (“Vale”) and IMS Engenharia Mineral Ltda. (“IMS”) to acquire the project. On October 5, 2017, the Company received conditional approval from the TSX-V to complete the acquisition.
- Pursuant to the definitive agreement, Emerita agreed to pay USD\$6.5 million in cash to Vale. The cash payments were to be made by Emerita over seven years on the following schedule:
  - US\$350,000 within 30 days from the date that the request for assignment of the mining rights is filed by IMS or Emerita with Brazil’s national mining agency and subsequent to Vale withdrawing its pending claims against IMS. \$449,260 was paid by the Company in 2018.
  - US\$1,650,000 on or before July 14, 2018;
  - US\$1,500,000 on or before July 14, 2020; and
  - US\$3,000,000 on or before July 14, 2024.
- The rights to the Salobro Project were subject to litigation between Vale and IMS. In connection with this Transaction, Vale withdrew its claims pending against IMS in the Civil Court of Belo Horizonte in respect of the amounts Vale claims was owing to it in relation to IMS’s previous acquisition of the Salobro Project. The Company paid Vale’s legal fees and court costs in connection with withdrawing such claims (approximately CAD\$315,000 in total).
- A Brazilian subsidiary was incorporated to hold the Salobro Project in trust for Vale until the consideration was fully paid by Emerita.
- As consideration for IMS transferring the rights to the Salobro Project to the Brazilian subsidiary, the Company issued 1,000,000 of its common shares to IMS on March 15, 2018.
- Upon completion of the initial diamond drill program and analysis of the assays results, the Company terminated its option agreement on October 3, 2018 after attempts to renegotiate the payment terms with Vale were unsuccessful. As a result of the termination of the option agreement, the Company has written down the value of the property as at September 30, 2018 in accordance with the Company’s accounting policies.

### **5. COMMON SHARES**

#### **Authorized**

At March 31, 2019 and 2018, the authorized share capital consisted of an unlimited number of common shares without par value.

On December 19, 2018, the shareholders of the Company approved a special resolution to consolidate the Company’s outstanding common shares on the basis of one (1) post-consolidation common share for each five (5) pre-consolidation common shares and granted the Board of Directors of the Company the authority to implement the consolidation at any time during the 12 month period following the approval date. The share consolidation was implemented subsequent to the quarter end. See Note 12.

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# Emerita Resources Corp.

## Notes to the Condensed Interim Consolidated Financial Statements For the three and six months ended March 31, 2019 and 2018

Expressed in Canadian Dollars - Unaudited

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### 5. COMMON SHARES (continued)

#### Common Shares Issued

	Number of shares	
	outstanding	Amount
<b>Balance, September 30, 2017</b>	<b>97,069,829</b>	<b>\$ 8,523,762</b>
Mineral Property Option Acquisition (iii,iv)	1,500,000	120,000
Private placement, net of issuance costs (i)	43,426,000	4,070,245
Warrant valuation (i,ii)	-	(953,393)
Warrant exercise	100,000	10,000
Valuation allocation of exercise of warrants	-	5,000
<b>Balance, September 30, 2018 and March 31, 2019</b>	<b>142,095,829</b>	<b>\$ 11,775,614</b>

- (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 \$811,225 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 135%; risk-free interest rate of 1.63% and an expected life of 2 years. In addition, 2,097,095 finder units were granted. Each finder unit is exercisable at a price of \$0.20 per unit until December 20, 2019. The fair value of the finder units was estimated at \$139,880 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 135%; risk-free interest rate of 1.63% and an expected life of 2 years.
- (ii) 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. The adjustment to the fair value of the warrants issued was estimated at \$2,288 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 97%; risk-free interest rate of 1.93% and an expected life of 0.28 years.
- (iii) 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.
- (iv) 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. A final 500,000 common shares were issued on September 12, 2018 at a price per share of \$0.04 based on the quoted market price of the shares on the date of issuance (Note 4).
- (v) On February 19, 2019, the Company announced a private placement for a minimum of 10,000,000 and a maximum of 20,000,000 post-consolidation common shares of the Company, subject to all regulatory approvals, at a price per share of \$0.10 (on a post-consolidation basis) for total gross proceeds of a minimum of \$1,000,000 to a maximum of \$2,000,000 (the "Offering")

# Emerita Resources Corp.

## Notes to the Condensed Interim Consolidated Financial Statements For the three and six months ended March 31, 2019 and 2018

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### 5. COMMON SHARES (continued)

#### Common Shares Issued (continued)

The proceeds of the Offering are expected to be used to finance exploration activities at the Company's Plaza Norte Project, repayment of the Company's existing debt, and for general corporate purposes. If the gross proceeds of the Offering exceed \$1,000,000, the Company expects the relative percentage of the proceeds spent on exploration to increase and the relative percentage of the process spent on debt repayment and general corporate purposes to decrease.

### 6. EQUITY RESERVES

#### Warrants

The changes in warrants issued during the year ended September 30, 2018 and six months ended March 31, 2019 are as follows:

	Number of warrants	Weighted average exercise price	Value of warrants
<b>Balance, September 30, 2017</b>	<b>20,644,000</b>	<b>\$ 0.10</b>	<b>\$ 227,950</b>
Exercised, November 2017	(100,000)	0.10	(5,000)
Granted, December 2017	23,810,095	0.20	951,105
Expired, December 2017	(3,900,000)	0.10	(48,750)
Expired, May 2018	(194,000)	0.10	(9,700)
Extension, May 2018	-	0.10	2,288
Expired, August 2018	(16,450,000)	0.10	(166,788)
<b>Balance, September 30, 2018 and March 31, 2019</b>	<b>23,810,095</b>	<b>\$ 0.20</b>	<b>\$ 951,105</b>

The following summarizes the warrants outstanding as at March 31, 2019:

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
21,713,000	21,713,000	20-Dec-17	20-Dec-19	\$0.20	811,225	135%	1.63%	2.00	0%
2,097,095	2,097,095	20-Dec-17	20-Dec-19	\$0.20	139,880	135%	1.63%	2.00	0%
<b>23,810,095</b>	<b>23,810,095</b>				<b>951,105</b>				

The weighted-average remaining contractual life of the warrants as of March 31, 2019 is 0.72 years (2018 – 1.07 years).

#### Share-based payments

The changes in stock options issued during the year ended September 30, 2018 and six months ended March 31, 2019 are as follows:

	Number of options	Weighted average exercise price	Estimated grant date fair value
<b>Balance, September 30, 2017</b>	<b>5,700,000</b>	<b>\$ 0.10</b>	<b>\$ 354,000</b>
Expired, November 25, 2017	(200,000)	0.10	(4,000)
Expired, March 1, 2018	(200,000)	0.05	(2,000)
<b>Balance, September 30, 2018 and March 31, 2019</b>	<b>5,300,000</b>	<b>\$ 0.10</b>	<b>\$ 348,000</b>

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## Emerita Resources Corp.

### Notes to the Condensed Interim Consolidated Financial Statements For the three and six months ended March 31, 2019 and 2018

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#### 6. EQUITY RESERVES (Continued)

##### Share-based payments (Continued)

Options outstanding as at March 31, 2019 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%
<b>5,300,000</b>	<b>5,300,000</b>				<b>348,000</b>				

The weighted average remaining contractual life of the options as at March 31, 2019 is 2.45 years (2018 – 3.45 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 six months ended March 31, 2019 and 2018.

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 5, 2018, the Company entered into loan agreements with a total principal amount of \$329,630. In the six months ended March 31, 2019, the Company incurred interest expense of \$25,786 in relation to these agreements. The agreements have maturity dates ranging from June 5, 2019 to December 5, 2021.



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# Emerita Resources Corp.

## Notes to the Condensed Interim Consolidated Financial Statements For the three and six months ended March 31, 2019 and 2018

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### 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, loans payable 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 March 31, 2019 and 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.

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# Emerita Resources Corp.

## Notes to the Condensed Interim Consolidated Financial Statements For the three and six months ended March 31, 2019 and 2018

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### 8. FINANCIAL INSTRUMENTS (Continued)

#### (b) Currency risk (continued)

As at September 30, 2018 and March 31, 2019, the Company had the following financial instruments and denominated in foreign currency (expressed in Canadian dollars):

<b>March 31, 2019</b>			
	<b>Euro</b>	<b>US dollars</b>	<b>Brazilian reals</b>
Cash	\$ 21,585	\$ 773	\$ 519
Loans payable	-	(100,000)	-
Accounts payable and accrued liabilities	(184,768)	(103,000)	(210,613)
	\$ (163,183)	\$ (202,227)	\$ (210,094)

  

<b>September 30, 2018</b>			
	<b>Euro</b>	<b>US dollars</b>	<b>Brazilian reals</b>
Cash	\$ 17,516	\$ 7,224	\$ 1,505
Accounts payable and accrued liabilities	(303,808)	(459,372)	(413,370)
	\$ (286,292)	\$ (452,148)	\$ (411,865)

A 10% strengthening (weakening) of the Canadian dollar against the Euro would decrease (increase) net loss by approximately \$16,000 (September 30, 2018 - \$29,000).

A 10% strengthening (weakening) of the Canadian dollar against the US dollar would decrease (increase) net loss by approximately \$20,000 (September 30, 2018 - \$45,000).

A 10% strengthening (weakening) of the Canadian dollar against the Brazilian real would decrease (increase) net loss by approximately \$21,000 (September 30, 2018 - \$41,000).

#### (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 March 31, 2019, the Company had a cash balance of \$36,789 (September 30, 2018 - \$31,325) to settle current liabilities of \$1,677,499 (September 30, 2018 - \$2,049,613). The Company's trade payables have contractual maturities of less than 30 days and are subject to normal trade terms.

#### (d) Commodity / Equity price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, as they relate to gold, zinc, and lithium, individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company. Commodity price risk is remote as the Company is not a producing entity.

# Emerita Resources Corp.

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended March 31, 2019 and 2018

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### 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 March 31, 2019, an amount of \$498,188, included in accounts payable, were owed to directors and officers of the Company (September 30, 2018 - \$920,873). The amounts outstanding on fees are unsecured, non-interest bearing, with no fixed terms of repayment. During the first fiscal quarter, certain directors and officers agreed to waive a portion (\$680,873) of their outstanding fees.

#### *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 six months ended March 31, 2019 and 2018, the remuneration of directors and other key management personnel are as follows:

	Six months ended March 31,	
	2019	2018
Management fees	\$ 245,312	\$ 268,555

### 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 March 31, 2019 and September 30, 2018:

March 31, 2019	Spain	Canada	Brazil	Total
Cash	\$ 21,585	\$ 14,685	\$ 519	\$ 36,789
Other current assets	165,411	37,503	69	202,983
Reclamation deposit	17,252	-	-	17,252
Property, plant and equipment	10,041	-	5,021	15,062
Investment in and advances to associate	242,732	-	-	242,732
Exploration and evaluation properties	239,994	-	157,500	397,494
<b>Total Assets</b>	<b>\$ 697,015</b>	<b>\$ 52,188</b>	<b>\$ 163,109</b>	<b>\$ 912,312</b>

Accounts payable and accrued liabilities	\$ 184,768	\$ 1,066,029	\$ 210,613	\$ 1,461,410
Short-term loans payable	-	216,089	-	216,089
Long-term loans payable	-	260,142	-	260,142
<b>Total liabilities</b>	<b>\$ 184,768</b>	<b>\$ 1,542,260</b>	<b>\$ 210,613</b>	<b>\$ 1,937,641</b>

September 30, 2018	Spain	Canada	Brazil	Total
Cash	\$ 17,516	\$ 12,304	\$ 1,505	\$ 31,325
Other current assets	83,892	104,037	65	187,994
Reclamation deposit	17,273	-	-	17,273
Property, plant and equipment	11,572	-	5,369	16,941
Investment in and advances to associate	243,024	-	-	243,024
Exploration and evaluation properties	239,994	-	157,500	397,494
<b>Total Assets</b>	<b>\$ 613,271</b>	<b>\$ 116,341</b>	<b>\$ 164,439</b>	<b>\$ 894,051</b>

Accounts payable and accrued liabilities	\$ 303,808	\$ 1,332,435	\$ 413,370	\$ 2,049,613
<b>Total liabilities</b>	<b>\$ 303,808</b>	<b>\$ 1,332,435</b>	<b>\$ 413,370</b>	<b>\$ 2,049,613</b>

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## Emerita Resources Corp.

### Notes to the Condensed Interim Consolidated Financial Statements For the three and six months ended March 31, 2019 and 2018

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#### 10. SEGMENT INFORMATION (Continued)

The following tables summarize the loss by geographic segment for the six months ended March 31, 2019 and 2018:

March 31, 2019	Spain	Canada	Brazil	Total
Other income	\$ (209,377)	\$ (680,843)	\$ -	\$ (890,220)
Project evaluation expenses	263,705	(188,796)	66,603	141,512
General and administrative expenses	-	560,272	-	560,272
Exploration and evaluation property writeoff	-	-	-	-
Foreign exchange (gain)/loss	-	58,203	-	58,203
<b>(Gain)/Loss</b>	<b>\$ 54,328</b>	<b>\$ (251,164)</b>	<b>\$ 66,603</b>	<b>\$ (130,233)</b>

March 31, 2018	Spain	Canada	Brazil	Total
Other income	\$ -	\$ (2,014)	\$ -	\$ (2,014)
Project evaluation expenses	6,726	-	-	6,726
General and administrative expenses	-	905,379	-	905,379
Foreign exchange (gain)/loss	-	(35,219)	-	(35,219)
<b>(Gain)/Loss</b>	<b>\$ 6,726</b>	<b>\$ 868,146</b>	<b>\$ -</b>	<b>\$ 874,872</b>

#### 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. At March 31, 2019, these contracts contain minimum commitments of approximately \$328,000 (2018 - \$324,000) and additional contingent payments of up to approximately \$1,251,000 (2018 - \$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'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.

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 \$315,000). 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.

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## **Emerita Resources Corp.**

### **Notes to the Condensed Interim Consolidated Financial Statements For the three and six months ended March 31, 2019 and 2018**

*Expressed in Canadian Dollars- Unaudited*

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#### **12. SUBSEQUENT EVENTS**

On May 16, 2019, the Company received final approval of its proposed share consolidation from the TSX-V. Effective at the opening of trading on May 17, 2019, the common shares of the Company will trade on a consolidated basis of one new common share for every 5 existing common shares. Prior to the consolidation, Emerita had 142,095,829 common shares outstanding and, following the consolidation will have approximately 28,419,165 common shares outstanding. The consolidation will not materially affect any shareholder's percentage of ownership in the Company. See Note 6.

On May 23, 2019, the Company closed the first tranche of its brokered private placement previously announced on February 19, 2019. The Company issued 20,750,000 common shares at a price of \$0.10 per share for aggregate proceeds of \$2,075,000. The proceeds of the offering are expected to be used to finance exploration activities at the Company's Plaza Norte Project in Spain, repayment of the Company's existing debt and for general corporate purposes.

The Company also announced the increase of the private placement offering to a maximum of 35,000,000 shares for gross proceeds of up to \$3,500,000. The Company intends to complete the second tranche of the offering on or before June 14, 2019. The offering is subject to the receipt of all necessary approvals, including the approval of the TSX-V. See Note 5.