Consolidated Financial Statements

For the years ended September 30, 2019 and 2018

(Expressed in Canadian Dollars)

Independent Auditor's Report

To the Shareholders of Emerita Resources Corp.

Opinion

We have audited the consolidated financial statements of Emerita Resources Corp. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at September 30, 2019 and 2018 and October 1, 2017, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years ended September 30, 2019 and 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at September 30, 2019 and 2018 and October 1, 2017, and its consolidated financial performance and its consolidated cash flows for the years ended September 30, 2019 and 2018 in accordance with International Financial Reporting Standards ("IFRS").

Basis for opinion

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

Material uncertainty related to going concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss during the year ended September 30, 2019 and, as of that date, the Company's current liabilities exceeded its current assets and the Company has a shareholders' deficiency. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that material uncertainties exist that cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

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

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

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

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

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

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

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

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

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

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

- As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement

McGovern
Hurley

resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

McGovern Hurley LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
January 28, 2020

Emerita Resources Corp.

Consolidated Statements of Financial Position

Expressed in Canadian Dollars

As at:	Note	**September 30, 2019 $**	September 30, 2018 $	October 1, 2017 $
			(Note 3)	(Note 3)
ASSETS				
Current				
Cash		**69,783**	31,325	518,719
Amounts receivable		**58,598**	169,935	109,003
Prepaid expenses		**109,182**	18,059	28,912
Total current assets		**237,563**	219,139	656,634
Long-term				
Reclamation deposit		**16,604**	17,273	16,952
Equipment	5	**10,048**	16,941	13,585
Total assets		**264,215**	253,533	687,171
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	11,12	**829,711**	2,049,613	2,116,818
Other liabilities	15	**1,005,602**	-	-
Current liabilities		**1,835,313**	2,049,613	2,116,818
Long-term loans payable	10	**284,149**	-	-
Total liabilities		**2,119,462**	2,049,613	2,116,818
SHAREHOLDERS' EQUITY/(DEFICIENCY)				
Common shares	8	**13,695,088**	11,775,614	8,523,762
Warrant reserve	9	**1,059,905**	951,105	227,950
Option reserve	9	**343,100**	348,000	354,000
Deficit		**(16,953,340)**	(14,870,799)	(10,535,359)
Total shareholders' equity/(deficiency)		**(1,855,247)**	(1,796,080)	(1,429,647)
Total liabilities and shareholders' equity/(deficiency)		**264,215**	253,533	687,171

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

Approved on behalf of the Board of Directors on January 28, 2020:

Signed: *"Catherine Stretch"*, Director

Signed: *"David Gower"*, Director

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

	Note	Year ended September 30, 2019 $	2018 $ (Note 3)
Expenses			
Project evaluation expenses	7	**41,113**	2,828,328
Consulting and management fees		**791,364**	1,035,572
Professional fees		**77,890**	65,296
Shareholder communication and filing fees		**72,423**	50,830
Promotion		**42,391**	88,975
Travel expenses		**39,904**	110,935
Office expenses		**96,143**	87,922
(Loss) for the year before other items		**(1,161,228)**	(4,267,858)
Other items			
Loss on investment in associate	6	**(722,857)**	(243,024)
Interest income		**781**	3,464
Interest expense	10	**(113,607)**	-
Foreign exchange (loss)		**(90,530)**	(59,260)
Comprehensive (loss) for the year		**(2,087,441)**	(4,566,678)
Basic and diluted (loss) per share		**$ (0.06)**	$ (0.17)
Weighted average number of common shares outstanding			
Basic and Diluted		**36,126,288**	26,302,779

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

Emerita Resources Corp.

Consolidated Statements of Changes in Shareholders' Equity

Expressed in Canadian Dollars

	Number of shares	Common Shares	Warrant Reserve	Option Reserve	Deficit	Shareholders' equity/(deficiency)
	#	$	$	$	$	$
Balance, September 30, 2018	**28,419,165**	**11,775,614**	**951,105**	**348,000**	**(14,870,799)**	**(1,796,080)**
Common shares issued, net of issue costs	22,195,000	2,028,274	-	-	-	2,028,274
Warrants issued	-	(108,800)	108,800	-	-	-
Options expired unexercised	-	-	-	(4,900)	4,900	-
Loss and comprehensive loss for the year	-	-	-	-	(2,087,441)	(2,087,441)
Balance, September 30, 2019	**50,614,165**	**13,695,088**	**1,059,905**	**343,100**	**(16,953,340)**	**(1,855,247)**
Balance, September 30, 2017	**19,413,965**	**8,523,762**	**227,950**	**354,000**	**(10,535,359)**	**(1,429,647)**
Common shares issued, net of issue costs	8,985,200	4,190,245	-	-	-	4,190,245
Warrants issued	-	(951,105)	951,105	-	-	-
Warrants exercised	20,000	15,000	(5,000)	-	-	10,000
Warrants expired unexercised	-	-	(225,238)	-	225,238	-
Warrant revaluation	-	(2,288)	2,288	-	-	-
Options expired unexercised	-	-	-	(6,000)	6,000	-
Loss and comprehensive loss for the year (Note 3)	-	-	-	-	(4,566,678)	(4,566,678)
Balance, September 30, 2018	**28,419,165**	**11,775,614**	**951,105**	**348,000**	**(14,870,799)**	**(1,796,080)**

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

Emerita Resources Corp.

Consolidated Statements of Cash Flows

Expressed in Canadian Dollars

	Note	Year ended September 30, 2019 $	2018 $ (Note 3)
Cash (used in)/provided by:			
Operating activities			
(Loss) for the year		**(2,087,441)**	(4,566,678)
Items not involving cash:			
Loss on investment in associate	6	**722,857**	243,024
Interest expense		**34,149**	-
Amortization	5	**6,893**	3,811
Working capital adjustments:		**(193,417)**	2,395
Net cash (used in) operating activities		**(1,516,959)**	(4,317,448)
Investing activities			
Property, plant and equipment	5	**-**	(7,167)
Investment in associate	6	**(722,857)**	(243,024)
Net cash (used in) investing activities		**(722,857)**	(250,191)
Financing activities			
Proceeds from issuance of common shares	8	**2,219,500**	4,342,600
Cost of issue	8	**(191,226)**	(272,355)
Proceeds from loans	10	**454,630**	-
Loan repayment	10	**(204,630)**	-
Warrants exercised	9	**-**	10,000
Net cash provided by financing activities		**2,278,274**	4,080,245
Change in cash, during the year		**38,458**	(487,394)
Cash, beginning of year		**31,325**	518,719
Cash, end of year		**69,783**	31,325
SUPPLEMENTAL INFORMATION			
Broker warrants issued		**$ 108,800**	$ -

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Emerita Resources Corp. (the "Company", or "Emerita") was incorporated on October 30, 2009 as 0865140 BC Ltd. pursuant to the *Business Corporations Act of British Columbia*. On January 8, 2013, the Company completed its Qualifying Transaction and ceased to be a Capital Pool Company. The Company changed its name to Emerita 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 exploration and evaluation expenditures is dependent upon the establishment of a sufficient quantity of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development and upon future profitable production or proceeds from the disposition of these 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 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. BASIS OF PRESENTATION

Statement of compliance

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

Basis of presentation

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

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

Approval of the consolidated financial statements

These consolidated financial statements of the Company for the year ended September 30, 2019 were reviewed, approved and authorized for issue by the Board of Directors of the Company on January 28, 2020.

3. CHANGES IN ACCOUNTING POLICY

During the year ended September 30, 2019, the Company changed its accounting policy of capitalizing exploration and evaluation expenditures. The Company believes that expensing such costs as incurred provides more reliable and relevant financial information. Cost of exploration properties, including the cost of acquiring prospective properties and exploration rights, and exploration and evaluation costs are expensed until it has been established that a mineral property is commercially viable. Previously, the Company capitalized these amounts. The Company also applied this change in accounting policy to the underlying policies of its associates, resulting in additional changes. The consolidated financial statements for the year ended September 30, 2018 have been restated to reflect adjustments made as a result of this change in accounting policy.

The following is a reconciliation of the Company's consolidated financial statements as at September 30, 2018 and October 1, 2017.

3. CHANGES IN ACCOUNTING POLICY (continued)

Consolidated Statement of Financial Position	As at September 30, 2018		
	As previously reported	Adjustment	Restated
ASSETS			
Current			
Cash	$ 31,325	$ -	$ 31,325
Amounts receivable	169,935	-	169,935
Prepaid expenses	18,059	-	18,059
Total current assets	**219,319**	**-**	**219,139**
Long-term			
Reclamation deposit	17,273	-	17,273
Equipment	16,941	-	16,941
Investment in associate	243,024	(243,024)	-
Exploration and evaluation properties	397,494	(397,494)	-
Total assets	**$ 894,051**	**$ (640,518)**	**$ 253,533**
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	$ 2,049,613	$ -	$ 2,049,613
Total liabilities	**2,049,613**	**-**	**2,049,613**
SHAREHOLDERS' EQUITY/(DEFICIENCY)			
Common shares	11,775,614	-	11,775,614
Warrant reserve	951,105	-	951,105
Option reserve	348,000	-	348,000
Deficit	(14,230,281)	(640,518)	(14,870,799)
Total shareholders' equity/(deficiency)	**(1,155,562)**	**(640,518)**	**(1,796,080)**
Total liabilities and shareholders' equity	**$ 894,051**	**$ (640,518)**	**$ 253,533**

3. CHANGES IN ACCOUNTING POLICY (continued)

Consolidated Statement of Financial Position	As at October 1, 2017		
	As previously reported	Adjustment	Restated
ASSETS			
Current			
Cash	$ 518,719	$ -	$ 518,719
Amounts receivable	109,003	-	109,003
Prepaid expenses	28,912	-	28,912
Total current assets	**656,634**	**-**	**656,634**
Long-term			
Reclamation deposit	16,952	-	16,952
Equipment	13,585	-	13,585
Investment in associate	-	-	-
Exploration and evaluation properties	477,494	(477,494)	-
Total assets	**$ 1,164,665**	**$ (477,494)**	**$ 687,171**
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	$ 2,116,818	$ -	$ 2,116,818
Total liabilities	**2,116,818**	**-**	**2,116,818**
SHAREHOLDERS' EQUITY			
Common shares	8,523,762	-	8,523,762
Warrant reserve	227,950	-	227,950
Option reserve	354,000	-	354,000
Deficit	(10,057,865)	(477,494)	(10,535,359)
Total shareholders' equity/(deficiency)	**(952,153)**	**(477,494)**	**(1,429,647)**
Total liabilities and shareholders' equity	**$ 1,164,665**	**$ (477,494)**	**$ 687,171**

Consolidated Statement of Loss and Comprehensive Loss	For the year ended September 30, 2018		
	As previously reported	Adjustment	Restated
Expenses			
Project evaluation expenses	$ 635,920	$ 2,192,408	$ 2,828,328
Other general and aminstrative costs	1,439,530	-	1,439,530
(Loss) for the year before other items	(2,075,450)	(2,192,408)	(4,267,858)
Other items			
Exploration and evaluation property writeoff	(2,272,408)	2,272,408	-
Loss on investment in associate	-	(243,024)	(243,024)
Interest income	3,464	-	3,464
Foreign exchange gain/(loss)	(59,260)	-	(59,260)
Comprehensive (loss) for the year	$ (4,403,654)	$ (163,024)	$ (4,566,678)

3. CHANGES IN ACCOUNTING POLICY (continued)

Consolidated Statement of Cash Flow	For the year ended September 30, 2018		
	As previously reported	Adjustment	Restated
Cash (used in)/provided by:			
Operating activities			
Net loss for the year	$ (4,403,654)	$ (163,024)	$ (4,566,678)
Adjustments for items not affecting cash:			
Exploration and evaluation property writeoff	2,272,408	(2,272,408)	-
Loss from investment in associate	-	243,024	243,024
Amortization	3,811	-	3,811
Working capital adjustments	(117,284)	119,679	2,395
Net cash flows (used in) operating activities	**(2,244,719)**	**(2,072,729)**	**(4,317,448)**
Investing activities			
Property, plant and equipment	(7,167)	-	(7,167)
Investment in associate	(243,024)	-	(243,024)
Exploration and evaluation properties	(2,072,729)	2,072,729	-
Net cash flows (used in) investing activities	**(2,322,920)**	**2,072,729**	**(250,191)**
Financing activities			
Proceeds from issuance of comon shares	4,342,600	-	4,342,600
Cost of issue	(272,355)	-	(272,355)
Warrants exercised	10,000	-	10,000
Net cash flows provided by investing activities	**4,080,245**	**-**	**4,080,245**
Increase/decrease in cash during the year	**(487,394)**	**-**	**(487,394)**
Cash, beginning of year	**518,719**	**-**	**518,719**
Cash, end of year	**31,325**	**-**	**31,325**

Accounting changes

During the year ended September 30, 2019, the Company adopted a number of new IFRS standards, interpretations, amendments and improvements of existing standards. These included IFRS 2, IAS 28, and IFRIC 22. These new standards did not have any material impact on the Company's financial statements.

Effective October 1, 2018, the Company adopted IFRS 9, *Financial Instruments: Recognition and Measurement.* IFRS 9 introduces new requirements for the classification, measurement and impairment of financial assets and hedge accounting. It establishes two primary measurement categories for financial assets: (i) amortized cost and (ii) fair value either through profit or loss ("FVPL") or through other comprehensive income ("FVOCI"); establishes criteria for the classification of financial assets within each measurement category based on business model and cash flow characteristics; and eliminates the existing held for trading, held to maturity, available for sale, loans and receivables and other financial liabilities categories. IFRS 9 also introduces a new expected credit loss model for the purpose of assessing the impairment of financial assets and requires that there be a demonstrated economic relationship between a hedged item and a hedging instrument.

3. CHANGES IN ACCOUNTING POLICY (continued)

Accounting changes (continued)

The following table shows the previous classification under IAS 39 and the new classification under IFRS 9 for the Company's financial instruments:

	Financial instrument classification	
	Under IAS 39	**Under IFRS 9**
Financial assets		
Cash	Loans and receivables	Amortized cost
Amounts receivable	Loans and receivables	Amortized cost
Financial liabilities		
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Long-term loans payable	Other financial liabilities	Amortized cost

The Company adopted IFRS 9 retrospectively without restating comparatives and therefore the comparative information in respect of financial instruments for the year ended September 30, 2018 was accounted for in accordance with the Company's previous accounting policy under IAS 39. Significant accounting policies which outline the current and previous accounting policies pertaining to financial instruments can be found in Note 4.

4. SIGNIFICANT ACCOUTING POLICIES

Critical judgements and estimation uncertainties

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

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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Critical judgements and estimation uncertainties (continued)

Income, value added, withholding and other taxes

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

Share-based payments

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

Contingencies

Refer to Notes 1 and 15.

Joint arrangement

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Critical judgements and estimation uncertainties (continued)

Subsidiaries

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

Joint Venture

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

Equipment

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Assets and Liabilities

Accounting policy under IFRS 9 applicable from October 1, 2018

Initial recognition and measurement

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

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

Subsequent measurement- financial assets at amortized cost

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

Subsequent measurement – financial assets at FVPL

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

Subsequent measurement – financial assets at FVOCI

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

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

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

Derecognition

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Assets and Liabilities (continued)

Impairment of financial assets

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

Financial Liabilities

Initial recognition and measurement

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

Subsequent measurement – financial liabilities at amortized cost

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

Derecognition

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

Accounting policy under IAS 39 applicable prior to October 1, 2018

The accounting policy under IAS 39 for the comparative information presented in respect of financial assets and liabilities is as follows:

All financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial assets and liabilities are offset, and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Assets and Liabilities (continued)

At initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

a) Financial assets and liabilities at fair value through profit or loss ("FVTPL"): A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Derivatives are also included in this category unless they are designated as hedges. Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the statements of loss.

   Gains and losses arising from changes in fair value are presented in the statements of loss within other gains and losses in the period in which they arise.

   Financial assets and liabilities at fair value through profit or loss are classified as current except for the portion expected to be realized or paid beyond twelve months of the reporting date, which is classified as non-current.

b) Available-for-sale investments: Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. Available-for-sale investments are recognized initially at fair value plus transaction costs and are subsequently carried at fair value. Gains or losses arising from changes in fair value are recognized in other comprehensive loss. Available-for-sale investments are classified as non-current, unless the investment matures within twelve months, or management expects to dispose of them within twelve months. When an available-for-sale investment is sold or impaired, the accumulated gains or losses are moved from accumulated other comprehensive loss to the statements of loss and comprehensive loss and are included in other gains and losses.

c) Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

d) Other financial liabilities: Other financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest and any transaction costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or (where appropriate) to the net carrying amount on initial recognition. Other financial liabilities are derecognized when the obligations are discharged, cancelled or expired.

Impairment of financial assets (including receivables):

At each reporting date, the Company assesses whether there is objective evidence that a financial asset not carried at fair value through profit or loss is impaired, and whether the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise or indicators that a debtor or issuer will enter bankruptcy. If such evidence exists, the Company recognizes an impairment loss, as follows:

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Assets and Liabilities (continued)

a) Financial assets carried at amortized cost: The loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. Losses are recognized in profit or loss and the carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

b) Available-for-sale financial assets: The impairment loss is the difference between the original cost of the asset and its fair value at the measurement date, less any impairment losses previously recognized in the statements of loss and comprehensive loss. This amount represents the cumulative loss in accumulated other comprehensive loss that is reclassified to net loss.

c) Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and can be related objectively to an event occurring after the impairment was recognized. Impairment losses on available-for-sale equity instruments are not reversed.

Impairment of non-financial assets:

At the end of each reporting period and when events or changes in circumstances indicate that the carrying amounts of non-financial assets might not be recoverable, the Company reviews and evaluates the recoverable amount of its tangible and intangible assets, including its exploration and evaluation properties, to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). If the recoverable amount is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognized immediately in the statements of loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

<u>*Derecognition*</u>

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Assets and Liabilities (continued)

Fair value of financial instruments

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

Exploration and evaluation properties

All expenditures on exploration and evaluation activities, including costs incurred to acquire and secure exploration property licenses, are recorded as project evaluation expenses until it has been established that a mineral property is commercially viable. Refer to Note 3.

Development assets

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

Common shares

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

Foreign currency translation

The presentation and functional currency of the Company and its subsidiaries is the Canadian dollar. Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Exchange differences are recognized in operations in the period in which they arise.

Income taxes

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes (continued)

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

Share-based payments

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

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

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

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

Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. The diluted loss per share calculation assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted loss per share calculation. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive. All the Company's outstanding stock options and warrants were anti-dilutive for the years ended September 30, 2019 and 2018.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

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

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

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

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

Rehabilitation provisions

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

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

The Company does not currently have any such significant legal or constructive obligations and therefore, no rehabilitation provision has been recorded as at September 30, 2019 or 2018.

Future accounting changes

Certain new standards, interpretations, amendments and improvements to existing standards were issued by IASB or IFRIC that are mandatory for accounting periods beginning on or after October 1, 2019. Updates that are not applicable or are not consequential to the Company have been excluded thereof. The following have not yet been adopted and are being evaluated to determine their impact on the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Future accounting changes (continued)

IAS 1 – Presentation of Financial Statements ("IAS 1") and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8") were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. Earlier adoption is permitted.

IFRS 3 – Business Combinations ("IFRS 3") was amended in October 2018 to clarify the definition of a business. This amended definition states that a business must include inputs and a process and clarified that the process must be substantive and the inputs and process must together significantly contribute to operating outputs. In addition it narrows the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs and added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. Earlier adoption is permitted.

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

IFRS 16 – Leases ("IFRS 16") was issued in January 2016 and replace IAS 17 – Leases as well as some lease-related interpretations. With certain exceptions for leases under twelve months in length or for assets of low value, IFRS 16 states that upon lease commencement a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 requires that lessors classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise, it is an operating lease. IFRS 16 is effective for annual periods beginning on or after January 1, 2019.

5. EQUIPMENT

	Office Equipment	Office Furniture	Software	Total
Cost as at September 30, 2017	$ 20,703	$ 18,253	$ 1,881	$ 40,837
Additions, 2018	6,009	1,158	-	7,167
Cost as at September 30, 2018 and 2019	**$ 26,712**	**$ 19,411**	**$ 1,881**	**$ 48,004**
Accumulated amortization as at September 30, 2017	$ 17,125	$ 8,246	$ 1,881	$ 27,252
Charge for the year, 2018	1,928	1,883	-	3,811
Accumulated amortization as at September 30, 2018	19,053	10,129	1,881	31,063
Charge for the year, 2019	3,093	3,800	-	6,893
Accumulated amortization as at September 30, 2019	**$ 22,146**	**$ 13,929**	**$ 1,881**	**$ 37,956**
Net book value as at September 30, 2018	$ 7,659	$ 9,282	$ -	$ 16,941
Net book value as at September 30, 2019	$ 4,566	$ 5,482	$ -	$ 10,048

6. INVESTMENT IN AND ADVANCES TO ASSOCIATE

On October 26, 2017, the Company, along with its Spanish joint venture partner the Aldesa Group ("Aldesa"), were awarded exploration concessions in the Santillana Syncline (the "Plaza Norte Project"). The Plaza Norte Project is in the Reocin Basin in Cantabria, Spain. The rights to the Plaza Norte Project expired on January 20, 2020. The Company has submitted a request for extension for an additional term of 3 years and is awaiting approval by the mining authorities. 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 in associate. Effective October 26, 2017, the Company accounts for this investment in associate using the equity method.

Changes in the investment in associate for the year ended September 30, 2019 were as follows:

	$
Balance, September 30, 2017	-
Investment in associate	243,024
Loss from investment in associate, equity method	(243,024)
Balance, September 30, 2018	-
Investment in associate	722,857
Loss from investment in associate, equity method	(722,857)
Balance, September 30, 2019	-

The fiscal year end for Cantabrica is September 30, 2019, which is consistent with the year end of the Company. The following is a summary of the financial information for Cantabrica as at September 30, 2019 and 2018:

Cantabrica del Zinco S.L.

	30-Sep-19	30-Sep-18
Cash and cash equivalents	$ 30,790	$ 56,644
Current assets	111,688	156,789
Property, plant and equipment	14,025	16,039
Current liabilities	(547,827)	(178,861)
Long-term liabilities	(1,515,589)	(269,732)

Year ended	30-Sep-19	30-Sep-18
Operating expenses	$ (1,639,752)	$ (526,326)
Net loss and comprehensive loss	(1,639,752)	(526,326)

The Company accounts for its 50% interest in the investment in associate using the equity method. The 50% share of the loss from the investment in associate's operations attributable to the Company for the year ended September 30, 2019 was $819,876. As the losses exceed the amount of the Company's interest in the investment in associate, $97,019 of the losses have not been reflected in the Company's consolidated statement of loss and comprehensive loss for the year ended September 30, 2019. The cumulative share of losses from the investment in associate's operations attributable to the Company that has not been recognized on the Company's consolidated statement of loss and comprehensive loss is $117,158 at September 30, 2019.

7. EXPLORATION AND EVALUATION EXPENDITURES

		2019		2018
Land management fees, taxes and permits	$	20,113	$	376,539
Labour		(41,671)		275,284
Drilling and geophysics		-		400,447
Technical reports		685		41,941
Travel, meals and accomodations		12,360		102,603
Legal fees		10,873		309,581
Project overhead costs		38,753		1,321,933
Total exploration and evaluation expenditures	**$**	**41,113**	**$**	**2,828,328**

As at September 30, 2019, the Company has valid permits for one gold exploration property, one zinc exploration property held through the Company's joint arrangement with the Aldesa Group, and one lithium property in Brazil. The gold property is comprised of exploration permits that were issued by the Asturias regulatory authorities in Spain. The zinc property is comprised of exploration permits that were issued by the Cantabrian regulatory authorities in Spain.

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 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 exploration permits.

- In order to acquire the option, Emerita issued 100,000 common shares to Falcon in June 2016, at a price per share of $0.775 based on the quoted market value of the shares on the date of issuance. An additional 100,000 common shares were issued on August 28, 2017 at a price per share of $0.60 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 100,000 common shares to Falcon at a price per share of $0.20, 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% 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.

7. EXPLORATION AND EVALUATION EXPENDITURES (continued)

b) Las Morras Property

- The original exploration permit for Las Morras Property was comprised of 230 claims. 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 permit expired and was terminated in January 2019.

- On November 14, 2017 the Company entered into a binding letter agreement with Copper One Inc. (“Copper One”) pursuant to which the Company granted an 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. The option agreement was terminated during the year ended September 30, 2019.

c) Sierra Alta Property

- The Sierra Alta Property is comprised of one exploration permit which consists of 90 mining claims in the Asturias region in northwestern Spain. The Company applied for the permit on November 18, 2013 and received notice that the property had been granted on July 8, 2015 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.

d) Salobro Zinc Property

- The project is comprised of two mining applications 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 over a 7-year period.

- 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 $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 were unsuccessful.

8. COMMON SHARES

Authorized

At September 30, 2019 and 2018, the authorized share capital consisted of an unlimited number of common shares without par value.

Common Shares Issued

	Number of shares outstanding		Amount
Balance, September 30, 2017	**19,413,965**	**$**	**8,523,762**
Mineral Property Option Acquisition (i,iii)	300,000		120,000
Private placement, net of issuance costs (ii)	8,685,200		4,070,245
Warrant valuation (v)	-		(953,393)
Warrant exercise	20,000		10,000
Valuation allocation of exercise of warrants	-		5,000
Balance, September 30, 2018	**28,419,165**	**$**	**11,775,614**
Private placement, net of issuance costs (vi,vii)	22,195,000		2,028,274
Warrant valuation (vi,vii)	-		(108,800)
Balance, September 30, 2019	**50,614,165**	**$**	**13,695,088**

(i) 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 Falco Litio MG project on or before June 13, 2018. In order to acquire the option, the Company issued 100,000 common shares at a price per share of $0.775 based on the quoted market price of the shares on the date of issuance. An additional 100,000 common shares were issued on August 28, 2017 at a price per share of $0.60 based on the quoted market price of the shares on the date of issuance. A final 100,000 common shares were issued on September 12, 2018 at a price per share of $0.20 based on the quoted market price of the shares on the date of issuance.

(ii) On December 20, 2017, the Company completed a private placement financing by issuing 8,685,200 units at a price of $0.50 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 $1.00 per full warrant until December 20, 2019. The fair value of the 4,342,600 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, 419,419 finder warrants were granted. Each finder warrant is exercisable at a price of $0.50 per unit until December 20, 2019. The fair value of the finder warrants 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.

(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 200,000 common shares to IMS Engenharia Mineral Ltda. ("IMS"), at a price per share of $0.50 based on the quoted market price of the shares on the date of issuance.

8. COMMON SHARES (continued)

Common Shares Issued (continued)

(iv) On May 16, 2019, the Company completed a 5:1 share consolidation. Prior to the consolidation, the Company had 142,095,829 common shares outstanding, and following the consolidation had 28,419,165 common shares outstanding. All current and comparative common shares and per share amounts in these consolidated financial statements have been retroactively adjusted to reflect this share consolidation.

(v) On May 16, 2018, the Company received approval from the TSXV to extend to August 20, 2018 the expiry date of 3,290,000 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.

(vi) On May 23, 2019, the Company completed the first tranche of a private placement financing by issuing 20,750,000 common shares at a price of $0.10 per share for gross proceeds of $2,075,000. The Company paid $56,248 in legal fees, $114,725 in finders' fees and issued 1,337,550 broker options. Each broker option is exercisable into one common share of the Company at a price of $0.10 per option until May 23, 2021. The fair value of the broker options issued was estimated at $101,300 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 171%; risk-free interest rate of 1.58% and an expected life of 2 years.

(vii) On July 12, 2019, the Company completed the second tranche of financing by issuing 1,445,000 common shares at a price of $0.10 per share for gross proceeds of $144,500. The Company paid $20,253 in finders fees and issued 106,350 broker warrants. Each broker warrant is exercisable into one common share of the Company at a price of $0.10 per option until July 12, 2021. The fair value of the broker options issued was estimated at $7,500 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 169%; risk-free interest rate of 1.58% and an expected life of 2 years.

9. EQUITY RESERVES

Warrants

The changes in warrants issued during the years ended September 30, 2019 and 2018 are as follows:

	Number of warrants	Weighted average exercise price	Value of warrants
Balance, September 30, 2017	**4,128,800**	**$ 0.50**	**$ 227,950**
Exercised, November 2017	(20,000)	0.50	(5,000)
Granted, December 2017	4,762,019	1.00	951,105
Expired, December 2017	(780,000)	0.50	(48,750)
Expired, May 2018	(38,800)	0.50	(9,700)
Extension, May 2018	-	0.50	2,288
Expired, August 2018	(3,290,000)	0.50	(166,788)
Balance, September 30, 2018	**4,762,019**	**$ 1.00**	**$ 951,105**
Granted, May 2019	1,337,550	0.10	101,300
Granted, July 2019	106,350	0.10	7,500
Balance, September 30, 2019	**6,205,919**	**$ 0.76**	**$ 1,059,905**

9. EQUITY RESERVES (continued)

Warrants (continued)

On May 16, 2019, the Company completed a 5:1 share consolidation. Prior to the consolidation, the Company had 23,810,095 warrants outstanding, and following the consolidation had 4,762,019 warrants outstanding as at September 30, 2018. All current and comparative warrant and warrant exercise amounts in these consolidated financial statements have been retroactively adjusted to reflect the share consolidation.

2,097,095 warrants can be exercised into one common share and one half of one common share purchase warrant.

The following summarizes the warrants outstanding as of September 30, 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
4,342,600	4,342,600	20-Dec-17	20-Dec-19	$1.00	811,225	135%	1.63%	2.00	0%
419,419	419,419	20-Dec-17	20-Dec-19	$1.00	139,880	135%	1.63%	2.00	0%
1,337,550	1,337,550	23-May-19	23-May-21	$0.10	101,300	171%	1.58%	2.00	0%
106,350	106,350	12-Jul-19	12-Jul-21	$0.10	7,500	169%	1.58%	2.00	0%
6,205,919	**6,205,919**				**1,059,905**				

The weighted-average remaining contractual life of the warrants as of September 30, 2019 is 0.56 years (2018 1.22 years).

Share-based payments

The changes in stock options issued during the years ended September 30, 2019 and 2018 are as follows:

	Number of options	Weighted average exercise price	Estimated grant date fair value
Balance, September 30, 2017	**1,140,000**	**$ 0.50**	**$ 354,000**
Expired, November 25, 2017	(40,000)	0.50	(4,000)
Expired, March 1, 2018	(40,000)	0.25	(2,000)
Balance, September 30, 2018	**1,060,000**	**$ 0.10**	**$ 348,000**
Expired, May 2019	(10,000)	0.50	(3,500)
Expired, September 2019	(20,000)	0.50	(1,400)
Balance, September 30, 2019	**1,030,000**	**$ 0.50**	**$ 343,100**

On May 16, 2019, the Company completed a 5:1 share consolidation. Prior to the consolidation, the Company had 5,300,000 options outstanding, and following the consolidation had 1,060,000 options outstanding as at September 30, 2018. All current and comparative option and option exercise amounts in these consolidated financial statements have been retroactively adjusted to reflect the share consolidation.

9. EQUITY RESERVES (continued)

Share-based payments (continued)

Options outstanding as of September 30, 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
770,000	770,000	29-Aug-16	29-Aug-21	$0.50	275,100	128%	0.72%	5.00	0%
30,000	30,000	08-Sep-16	08-Sep-21	$0.50	10,500	128%	0.68%	5.00	0%
230,000	230,000	24-Oct-16	24-Oct-21	$0.50	57,500	111%	0.53%	5.00	0%
1,030,000	**1,030,000**				**343,100**				

The weighted average remaining contractual life of the options as at September 30, 2019 is 1.95 years (2018 – 2.95 years).

10. CAPITAL MANAGEMENT

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

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

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

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no significant changes in the Company's approach to capital management during the years ended September 30, 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. As at September 30, 2019, the Company may not be compliant with the policies of the TSXV. The impact of this violation is not known and is ultimately dependent on the discretion of the TSXV.

On December 7, 2018, the Company entered into loan agreements with unrelated parties for a total principal amount of $204,630. Interest expense of $79,437 (40% of the principal amounts) was paid in relation to these agreements. The loans were repaid on June 19, 2019.

On December 7, 2018, the Company entered into a loan agreement with an unrelated party for a total principal amount of $250,000. The loan is unsecured and interest accrues at 18% per annum. The loan is due and payable on December 5, 2020, settled either in cash or shares at the lender's option.

11. 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, amounts receivable, 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 September 30, 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.

11. FINANCIAL INSTRUMENTS (continued)

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

September 30, 2019

		Euro		US dollars		Brazilian reals
Cash	$	36,852	$	614	$	1,326
Accounts payable and accrued liabilities		(30,856)		(647,932)		(196,078)
	$	5,996	$	(647,318)	$	(194,752)

September 30, 2018

		Euro		US dollars		Brazilian reals
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 $600 (2018 - $29,000).

A 10% strengthening (weakening) of the Canadian dollar against the US dollar would decrease (increase) net loss by approximately $65,000 (2018 - $45,000).

A 10% strengthening (weakening) of the Canadian dollar against the Brazilian real would decrease (increase) net loss by approximately $19,500 (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 September 30, 2019, the Company had a cash balance of $69,783 (September 30, 2018 - $31,325) to settle current liabilities and other liabilities of $1,835,313 (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.

12. RELATED PARTY TRANSACTIONS

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

As at September 30, 2019, an amount of $1,261,876, 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.

On September 30, 2019, the Company entered into agreements with certain directors and officers relating to existing liability balances. These agreements allow for the forgiveness of $1,005,602 in amounts owing to these directors and officers upon the non-occurrence of some future event. As a triggering event has not yet occurred, this contingent debt forgiveness has not been recognized in these financial statements. Refer to Note 15.

Compensation of key management personnel of the Company

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company. During the years ended September 30, 2019 and 2018, the remuneration of directors and other key management personnel are as follows:

	Year ended September 30,	
	2019	2018
Management fees	$ 488,544	$ 728,148

A payroll advance of €25,887 ($37,376) was paid to Joaquin Merino-Marquez, the President of the Company, by the Company's subsidiary, Emerita Espana, during the year ended September 30, 2019 (2018 - $nil).

In connection with the May 23, 2019 private placement (see Note 8(vi)), officers and directors of the Company subscribed for 500,000 common shares of the Company for total proceeds of $50,000.

In connection with the July 12, 2019 private placement (see Note 8(vii)), officers and directors of the Company subscribed for 45,000 common shares of the Company for total proceeds of $4,500.

In connection with the December 20, 2017 private placement (see Note 8(ii)), officers and directors of the Company subscribed for 850,000 units of the Company for total proceeds of $425,000.

13. 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 September 30, 2019 and 2018:

13. SEGMENT INFORMATION (continued)

September 30, 2019	Spain	Canada	Brazil	Total
Cash	$ 36,852	$ 31,605	$ 1,326	$ 69,783
Other current assets	74,133	93,614	33	167,780
Reclamation deposit	16,604	-	-	16,604
Property, plant and equipment	6,495	-	3,553	10,048
Total Assets	**$ 134,084**	**$ 125,219**	**$ 4,912**	**$ 264,215**
Accounts payable and accrued liabilities	$ 30,856	$ 602,777	$ 196,078	$ 829,711
Other liabilities	-	1,005,602	-	1,005,602
Long-term loans payable	-	284,149	-	284,149
Total liabilities	**$ 30,856**	**$ 1,892,528**	**$ 196,078**	**$ 2,119,462**

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
Total Assets	**$ 130,253**	**$ 116,341**	**$ 6,939**	**$ 253,533**
Accounts payable and accrued liabilities	$ 303,808	$ 1,332,435	$ 413,370	$ 2,049,613
Total liabilities	**$ 303,808**	**$ 1,332,435**	**$ 413,370**	**$ 2,049,613**

The following tables summarize the loss by geographic segment for the years ended September 30, 2019 and 2018:

September 30, 2019	Spain	Canada	Brazil	Total
Other income	$ -	$ (781)	$ -	$ (781)
Project evaluation expenses	196,705	(222,346)	66,754	41,113
General and administrative expenses	-	1,233,722	-	1,233,722
Losses on investment in associate	-	722,857	-	722,857
Foreign exchange (gain)/loss	-	90,530	-	90,530
Loss	**$ 196,705**	**$ 1,823,982**	**$ 66,754**	**$ 2,087,441**

September 30, 2018	Spain	Canada	Brazil	Total
Other income	$ -	$ (3,464)	$ -	$ (3,464)
Project evaluation expenses	536,895	(77,187)	2,368,620	2,828,328
General and administrative expenses	-	1,439,530	-	1,439,530
Losses on investment in associate	-	243,024	-	243,024
Foreign exchange (gain)/loss	-	59,260	-	59,260
Loss	**$ 536,895**	**$ 1,661,163**	**$ 2,368,620**	**$ 4,566,678**

14. INCOME TAXES

Major items causing the Company's effective income tax rate to differ from the combined Canadian federal and provincial statutory rate of 26.5% (2018 – 26.5%) were as follows:

Provision for income taxes

	2019 $	2018 $
(Loss) before income taxes	(2,087,441)	(4,566,678)
Expected income tax recovery based on statutory rate	(553,000)	(1,210,000)
Adjustment to expected income tax benefit:		
Expenses not deductible for tax purposes	3,000	4,000
Difference in tax rates	(18,000)	(181,000)
Difference in foreign exchange rates	27,000	(105,000)
Change in benefit of tax assets not recognized	541,000	1,492,000
Deferred income tax provision (recovery)	-	-

Deferred income taxes

Deferred income tax assets have been recognized in respect of the following items:

	2019 $	2018 $
Deferred income tax assets have been recognized in respect of the following items:		
Exploration and evaluation properties	-	(75,000)
Non-capital loss carry-forwards	-	75,000
Net tax assets (liabilities)	-	-

Deferred income tax assets have not been recognized in respect of the following deductible temporary differences:

	2019 $	2018 $
Deferred income tax assets have not been recognized in respect of the following deductible temporary differences:		
Non-capital loss carry-forwards	14,713,000	13,195,000
Share issue costs	313,000	217,000
Other temporary differences	299,000	141,000
Total	15,325,000	13,553,000

Non-capital losses of $7,246,000 in Canada expire between 2029 and 2039. Non-capital losses of €3,300,000 ($4,691,000) in Spain expire between 2030 and 2036. Non-capital losses of R$8,720,000 ($2,776,000) in Brazil carry forward indefinitely.

14. INCOME TAXES (continued)

The potential future benefit of these losses has not been recognized in the consolidated financial statements because it is not probable that future taxable profit will be available against which the Company can use the benefits.

15. COMMITMENTS AND CONTINGENCIES

On September 30, 2019, the Company entered into agreements with certain directors and officers relating to existing liabilities. Under these agreements, these directors and officers agreed to a reduction of $1,005,602 in amounts owing to them if the Company is unable to raise at least $5,000,000 in equity financing prior to December 31, 2021. Should the Company be unable to complete an equity financing of at least $5,000,000, these directors and officers have agreed to waive and permanently release the Company from these amounts owed. If the Company raises at least $5,000,000 in equity financing prior to December 31, 2021, these amounts would remain owing to the officers and directors. As a triggering event has not taken place, the contingent gain relating to these agreements has not been reflected in these consolidated financial statements.

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 $313,000 (2018 - $324,000) and additional contingent payments of up to approximately $1,190,000 (2018 - $1,234,000) 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'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 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 ($300,970). 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.

16. SUBSEQUENT EVENTS

On November 7, 2019, the Company granted a total of 3,700,000 stock options to directors, management and consultants of the Company pursuant to its stock option plan. The options vest immediately and may be exercised at a price of $0.10 per option for a period of 5 years from the date of grant.

On December 20, 2019, 4,762,019 of the Company's warrants expired.