



Condensed Interim Consolidated Financial Statements

For the three and six months ended March 31, 2020 and 2019

(Expressed in Canadian Dollars)

(Unaudited)

**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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

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

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada (CPA Canada) for a review of interim financial statements by an entity's auditor.

Emerita Resources Corp.

Condensed Interim Consolidated Statements of Financial Position

Expressed in Canadian Dollars- Unaudited

As at:		March 31, 2020	September 30, 2019
	Note	\$	\$
ASSETS			
Current			
Cash		71,207	69,783
Amounts receivable		49,478	58,598
Prepaid expenses		99,434	109,182
Total current assets		220,119	237,563
Long-term			
Reclamation deposit		17,922	16,604
Equipment		9,467	10,048
Total assets		247,508	264,215
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	10	1,232,872	829,711
Loans payable	5	423,675	-
Other liabilities	12	1,005,602	1,005,602
Current liabilities		2,662,149	1,835,313
Long-term loans payable	5	-	284,149
Total liabilities		2,662,149	2,119,462
SHAREHOLDERS' EQUITY/(DEFICIENCY)			
Common shares	6	13,695,088	13,695,088
Warrant reserve	7	108,800	1,059,905
Option reserve	7	673,095	343,100
Deficit		(16,891,624)	(16,953,340)
Total shareholders' equity/(deficiency)		(2,414,641)	(1,855,247)
Total liabilities and shareholders' equity/(deficiency)		247,508	264,215
Nature of operations and going concern	1		
Commitments and contingencies	12		
Subsequent events	13		

Approved on behalf of the Board of Directors on May 29, 2020:

Signed: "Catherine Stretch", Director

Signed: "David Gower", Director

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

Emerita Resources Corp.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

Expressed in Canadian Dollars- Unaudited

	Note	Three months ended March 31,		Six months ended March 31,	
		2020 \$	2019 \$	2020 \$	2019 \$
Expenses					
Project evaluation expenses	4	2,206	(17,028)	52,117	141,512
Consulting and management fees	10	103,088	310,639	289,582	444,623
Professional fees		47,300	4,000	73,835	4,400
Shareholder communication and filing fees		7,139	17,068	13,719	34,674
Promotion		10,953	(3,784)	23,126	6,324
Office expenses		24,708	28,985	47,679	44,465
Share-based compensation	7	-	-	329,995	-
(Loss) for the period before other items		(195,394)	(339,880)	(830,053)	(675,998)
Other items					
Loss on investment in associate	3	(66,965)	-	(76,665)	-
Gain on settlement of liabilities		-	-	-	890,153
Interest income		6	67	6	67
Interest expense	5	(26,974)	(22,757)	(39,866)	(25,786)
Foreign exchange gain (loss)		95,235	(965)	57,189	(58,203)
Comprehensive gain (loss) for the period		(194,092)	(363,535)	(889,389)	130,233
Basic and diluted gain (loss) per share					
		\$ (0.00)	\$ (0.01)	\$ (0.02)	\$ 0.00
Weighted average number of common shares outstanding					
Basic and Diluted		50,614,165	28,419,166	50,614,165	28,419,166

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

Emerita Resources Corp.**Condensed Interim Consolidated Statements of Changes in Shareholders' Equity***Expressed in Canadian Dollars- Unaudited*

	Note	Number of shares #	Common Shares \$	Warrant Reserve \$	Option Reserve \$	Deficit \$	Shareholders' equity/(deficiency) \$
Balance, September 30, 2019		50,614,165	13,695,088	1,059,905	343,100	(16,953,340)	(1,855,247)
Warrants expired unexercised	7	-	-	(951,105)	-	951,105	-
Option reserve	7	-	-	-	329,995	-	329,995
Loss and comprehensive loss for the period		-	-	-	-	(889,389)	(889,389)
Balance, March 31, 2020		50,614,165	13,695,088	108,800	673,095	(16,891,624)	(2,414,641)
Balance, September 30, 2018		19,413,965	11,775,614	951,105	348,000	(14,230,281)	(1,155,562)
Gain and comprehensive gain for the period		-	-	-	-	130,233	130,233
Balance, March 31, 2019		19,413,965	11,775,614	951,105	348,000	(14,100,048)	(1,025,329)

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

Emerita Resources Corp.
Condensed Interim Consolidated Statements of Cash Flows
Expressed in Canadian Dollars- Unaudited

	Note	Six months ended March 31,	
		2020 \$	2019 \$
Cash (used in)/provided by:			
Operating activities			
Gain/(loss) for the period		(889,389)	130,233
Items not involving cash:			
Share-based compensation	7	329,995	-
Interest expense	5	29,526	10,142
Amortization		908	1,487
Working capital adjustments:		420,711	(386,398)
Net cash (used in) operating activities		(108,249)	(244,536)
Investing activities			
Exploration and evaluation properties, net of change in working capital		(327)	-
Net cash (used in) investing activities		(327)	-
Financing activities			
Proceeds from loans	5	110,000	250,000
Net cash provided by financing activities		110,000	250,000
Change in cash, during the period		1,424	5,464
Cash, beginning of period		69,783	31,325
Cash, end of period		71,207	36,789

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

Emerita Resources Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended March 31, 2020 and 2019

Expressed in Canadian Dollars- Unaudited

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.

As at March 31, 2020, the Company has a working capital deficit of \$2,442,030 (September 30, 2019- working capital deficiency of \$1,597,750), and an accumulated deficit of \$16,891,624 (September 30, 2019- \$16,953,340). The Company has a need for equity financing for working capital and exploration and development of its properties. Because of continuing operating losses, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operation. Material uncertainties as mentioned above cast significant doubt upon the Company's ability to continue as a going concern.

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

Emerita Resources Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended March 31, 2020 and 2019

Expressed in Canadian Dollars - Unaudited

1. NATURE OF OPERATIONS AND GOING CONCERN (continued)

Novel Coronavirus ("COVID-19")

The Company's operations could be significantly adversely affected by the effects of a widespread global outbreak of a contagious disease, including the recent outbreak of respiratory illness caused by COVID-19. The Company cannot accurately predict the impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company's operations and ability to finance its operations.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These condensed interim consolidated financial statements are in compliance with IAS 34, *Interim Financial Reporting*. Accordingly, certain information and disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), have been omitted or condensed. These condensed interim consolidated financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended September 30, 2019.

Basis of presentation

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

These condensed interim consolidated financial statements include the accounts of the Company and its subsidiaries. All material intercompany transactions and balances between subsidiaries have been eliminated on consolidation. The Company holds a 50% interest in Cantabrica del Zinco S.L. ("Cantabrica"), along with its joint venture partner the Aldesa Group. Cantabrica is reported as a joint venture in these condensed interim consolidated financial statements. Refer to Note 3.

Approval of the consolidated financial statements

These condensed interim consolidated financial statements of the Company for three and six months ended March 31, 2020 and 2019 were reviewed, approved, and authorized for issue by the Board of Directors of the Company on June 1, 2020.

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:

Emerita Resources Corp.

Notes to the Condensed Interim Consolidated Financial Statements

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Critical judgements and estimation uncertainties (continued)

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.

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 12.

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 3.

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

Emerita Resources Corp.

Notes to the Condensed Interim Consolidated Financial Statements For the three and six months ended March 31, 2020 and 2019

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3. INVESTMENT IN ASSOCIATE

On October 26, 2017, the Company, along with its Spanish joint venture partner the Aldesa Group (“Aldesa”), were awarded exploration concessions in the Santillana Syncline (the “Plaza Norte Project”). The Plaza Norte Project is in the Reocin Basin in Cantabria, Spain. 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 and six months ended March 31, 2020 were as follows:

	\$
Balance, September 30, 2018	-
Investment in associate	722,857
Loss from investment in associate, equity method	(722,857)
Balance, September 30, 2019	-
Investment in associate	76,665
Loss from investment in associate, equity method	(76,665)
Balance, March 31, 2020	-

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 March 31, 2020:

Cantabrica del Zinco S.L.

As at:	31-Mar-20	30-Sep-19
Cash and cash equivalents	\$ 161,105	\$ 30,790
Current assets	182,467	111,688
Property, plant and equipment	14,603	14,025
Current liabilities	479,883	(547,827)
Long-term liabilities	1,764,611	(1,515,589)

	6 months ended	Year ended
	31-Mar-20	30-Sep-19
Operating expenses	\$ (385,644)	\$ (1,639,752)
Net loss and comprehensive loss	(385,644)	(1,639,752)

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 six months ended March 31, 2020 was \$192,822 (year ended September 30, 2019: \$819,876). As the losses exceed the amount of the Company’s interest in the investment in associate, \$116,157 of the losses have not been reflected in the Company’s consolidated statement of loss and comprehensive loss for the six months ended March 31, 2020 (September 30, 2019: \$97,019). 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 \$233,315 at March 31, 2020 (September 30, 2019: \$117,158).

Emerita Resources Corp.

Notes to the Condensed Interim Consolidated Financial Statements

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Expressed in Canadian Dollars - Unaudited

4. EXPLORATION AND EVALUATION EXPENDITURES

	For the six months ended March 31,	
	2020	2019
Land management fees, taxes and permits	\$ 97	\$ -
Travel, meals and accomodations	-	5,321
Legal fees	(1,117)	-
Project overhead costs	53,136	136,191
Total exploration and evaluation expenditures	\$ 52,117	\$ 141,512

As at March 31, 2020, 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 Lito 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 Lito MG Project (the "Lito Project"). The Lito Project is located in Minas Gerais State, Brazil, and is comprised of five exploration permits and one application for an exploration permit.
- In order to acquire the option, Emerita issued 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 Lito 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.

Emerita Resources Corp.

Notes to the Condensed Interim Consolidated Financial Statements For the three and six months ended March 31, 2020 and 2019

Expressed in Canadian Dollars- Unaudited

4. EXPLORATION AND EVALUATION PROPERTIES (continued)

b) 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.

5. LOANS PAYABLE

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 secured, 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. As at March 31, 2020, the total amount owed by the Company, including principal and accrued interest, is \$310,371 (September 30, 2019 - \$284,149).

On January 24, 2020, the Company entered into a loan agreement with a related party for a principal amount of \$100,000. Refer to Note 10. The loan is unsecured, and interest accrues at a rate of 7% per annum. The loan principal, accrued interest, and an establishment fee was due and payable by the Company on March 31, 2020. The proceeds of the loan were used for general corporate purposes. As at March 31, 2020, the total amount owed by the Company, including principal and accrued interest, is \$113,304 (September 30, 2019- \$nil).

6. COMMON SHARES

Authorized

At March 31, 2020 and 2019, the authorized share capital consisted of an unlimited number of common shares without par value.

Common Shares Issued

Balance, September 30, 2018	28,419,165	\$ 11,775,614
Private placement, net of issuance costs	22,195,000	2,028,274
Warrant valuation	-	(108,800)
Balance, September 30 and March 31, 2020	50,614,165	\$ 13,695,088

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.

Emerita Resources Corp.

Notes to the Condensed Interim Consolidated Financial Statements For the three and six months ended March 31, 2020 and 2019

Expressed in Canadian Dollars- Unaudited

6. COMMON SHARES (continued)

Common Shares Issued (continued)

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.

The proceeds of the Offering were used to finance exploration activities at the Company's Plaza Norte Project, repayment of the Company's existing debt, and for general corporate purposes.

7. EQUITY RESERVES

Warrants

The changes in warrants issued during the year ended September 30, 2019 and six months ended March 31, 2020 are as follows:

	Number of warrants	Weighted average exercise price	Value of warrants
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	\$ 0.17	\$ 1,059,905
Expired, December 2019	(4,762,019)	0.20	(951,105)
Balance, March 31, 2020	1,443,900	\$ 0.10	\$ 108,800

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.

The following summarizes the warrants outstanding as at March 31, 2020:

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
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%
1,443,900	1,443,900				108,800				

The weighted-average remaining contractual life of the warrants as of March 31, 2020 is 1.16 years (March 31, 2019 – 0.72 years).

Emerita Resources Corp.

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7. EQUITY RESERVES (continued)

Share-based payments

The changes in stock options issued during the year ended September 30, 2019 and six months ended March 31, 2020 are as follows:

	Number of options	Weighted average exercise price	Estimated grant date fair value
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
Granted, November 2019	3,700,000	0.10	329,995
Balance, March 31, 2020	4,730,000	\$ 0.19	\$ 673,095

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.

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. The fair value of the stock options was estimated using the Black-Scholes pricing model, with the following weighted average assumptions: expected dividend yield 0%, expected annual volatility 167%, risk-free interest rate 1.544% and expected average life 5 years.

Options outstanding as at March 31, 2020 are as follows:

Number outstanding #	Number exercisable #	Grant date	Expiry date	Exercise price \$	Estimated grant date fair value \$	Risk-free interest rate	Volatility	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	8-Sep-16	8-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%
3,700,000	3,700,000	7-Nov-19	7-Nov-24	\$0.10	329,995	167%	1.54%	5.00	0%
4,730,000	4,730,000				673,095				

The weighted average remaining contractual life of the options as at March 31, 2020 is 3.92 years (March 31, 2019 – 2.45 years).

8. 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.

Emerita Resources Corp.

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8. CAPITAL MANAGEMENT (continued)

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

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

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no significant changes in the Company's approach to capital management during the six months ended March 31, 2020 and 2019.

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 March 31, 2020, 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.

9. 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 March 31, 2020 and 2019, 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:

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9. FINANCIAL INSTRUMENTS (continued)

(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.

Trade credit risk

The Company is not exposed to significant trade credit risk.

a. 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.

As at September 30, 2019 and March 31, 2020, the Company had the following financial instruments and denominated in foreign currency (expressed in Canadian dollars):

March 31, 2020			
	Euro	US dollars	Brazilian reals
Cash	\$ 55,742	\$ 107	\$ 1,138
Accounts payable and accrued liabilities	(90,886)	-	(168,379)
	\$ (35,144)	\$ 107	\$ (167,241)

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)

A 10% strengthening (weakening) of the Canadian dollar against the Euro would decrease (increase) net loss by approximately \$3,500 (September 30, 2019 - (\$600)).

A 10% strengthening (weakening) of the Canadian dollar against the US dollar would decrease (increase) net loss by \$nil (September 30, 2019 - \$65,000).

A 10% strengthening (weakening) of the Canadian dollar against the Brazilian real would decrease (increase) net loss by approximately \$17,000 (September 30, 2019 - \$20,000).

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9. FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. At March 31, 2020, the Company had a cash balance of \$71,207 (September 30, 2019 - \$69,783) to settle current liabilities of \$2,262,149 (September 30, 2019 - \$1,835,313). 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.

10. RELATED PARTY TRANSACTIONS

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

As at March 31, 2020, an amount of \$1,452,227, included in accounts payable, accrued and other liabilities, were owed to directors and officers of the Company (September 30, 2019 - \$1,261,876). 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 12.

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 three and six months ended March 31, 2020 and 2019, the remuneration of directors and other key management personnel are as follows:

	Three months ended March 31,		Six months ended March 31,	
	2020	2019	2020	2019
Management fees	\$ 52,500	\$ 192,812	\$ 174,190	\$ 245,312
Share-based compensation	-	-	321,076	-

In connection with the May 23, 2019 private placement (see Note 6), 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 6), officers and directors of the Company subscribed for 45,000 common shares of the Company for total proceeds of \$4,500.

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10. RELATED PARTY TRANSACTIONS (continued)

On January 24, 2020, the Company entered into a loan agreement with a related party for \$100,000. An officer of the Company is also the Chief Executive Officer of the lender. As at March 31, 2020, the amount owing in relation to the loan agreement is \$113,304.

11. SEGMENT INFORMATION

The Company conducts its business as a single operating segment, being mineral exploration and evaluation in Spain and Brazil. The following tables summarize the total assets and liabilities by geographic segment as at March 31, 2020 and September 30, 2019:

March 31, 2020	Spain	Canada	Brazil	Total
Cash	\$ 55,742	\$ 14,327	\$ 1,138	\$ 71,207
Other current assets	65,420	83,463	29	148,912
Reclamation deposit	17,922	-	-	17,922
Property, plant and equipment	6,019	-	3,448	9,467
Total Assets	\$ 145,103	\$ 97,790	\$ 4,615	\$ 247,508

Accounts payable and accrued liabilities	\$ 90,886	\$ 973,607	\$ 168,379	\$ 1,232,872
Other liabilities	-	1,005,602	-	1,005,602
Loans payable	-	423,675	-	423,675
Total liabilities	\$ 90,886	\$ 2,402,884	\$ 168,379	\$ 2,662,149

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

The following tables summarize the loss by geographic segment for the six months ended March 31, 2020 and 2019:

March 31, 2020	Spain	Canada	Brazil	Total
Other income	\$ -	\$ (6)	\$ -	\$ (6)
Project evaluation expenses	44,241	7,680	197	52,117
General and administrative expenses	-	817,802	-	817,802
Losses on investment in associate	-	76,665	-	76,665
Foreign exchange loss	-	(57,189)	-	(57,189)
Loss	\$ 44,241	\$ 844,952	\$ 197	\$ 889,389

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

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12. 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 \$309,000 (December 31, 2019 - \$313,000) and additional contingent payments of up to approximately \$1,175,000 (December 31, 2019 - \$1,190,000) 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 (approximately \$325,000). Although the ultimate outcome of this action cannot be ascertained at this time and the results of legal proceedings cannot be predicted with certainty, management believes this claim to be without merit.

13. SUBSEQUENT EVENTS

On May 14, 2020, the Company announced a non-brokered private placement financing of up to 20,000,000 units of the Company ("Units") at a price of \$0.05 per unit for proceeds of up to \$1,000,000 ("the Offering"). Each Unit shall be comprised of one common share of the Company, and one-half of one common share purchase warrant that will entitle the holder to acquire one common share at a price of \$0.15 for the period of 24 months following the closing date of the Offering.

The proceeds of the Offering are expected to be used to finance exploration activities at the Company's properties in Spain and for general corporate purposes. The Offering is expected to close on or about June 15, 2020 and is subject to all required regulatory approvals. Further details are available in the Company's press release dated May 14, 2020.