



Condensed Interim Consolidated Financial Statements

For the nine months ended June 30, 2022 and 2021

(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.
Consolidated Interim Consolidated Statements of Financial Position
Expressed in Canadian Dollars- Unaudited

As at:	Note	June 30, 2022 \$	September 30, 2021 \$
ASSETS			
Current			
Cash and cash equivalents	3	23,633,338	26,777,430
Amounts receivable		1,071,943	391,325
Prepaid expenses		494,132	149,858
Total current assets		25,199,413	27,318,613
Long-term			
Reclamation deposits		170,633	92,238
Equipment	4	276,201	7,944
Total assets		25,646,247	27,418,795
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	9,10	550,764	1,205,247
Total liabilities		550,764	1,205,247
SHAREHOLDERS' EQUITY			
Common shares	6	47,704,014	40,425,848
Warrant reserve	7	5,081,941	6,836,167
Option reserve	7	22,057,986	13,307,624
Deficit		(49,748,458)	(34,356,091)
Total shareholders' equity		25,095,483	26,213,548
Total liabilities and shareholders' equity		25,646,247	27,418,795
Nature of operations and going concern	1		
Commitments and contingencies	12		
Subsequent events	13		

Approved on behalf of the Board of Directors on August 26, 2022:

Signed: "Catherine Stretch", Director

Signed: "David Gower", Director

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

Emerita Resources Corp.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

Expressed in Canadian Dollars- Unaudited

	Note	Three months ended June 30,		Nine months ended June 30,	
		2022 \$	2021 \$	2022 \$	2021 \$
Expenses					
Project evaluation expenses	5	2,236,113	671,096	4,719,868	941,111
Consulting and management fees	10	354,651	280,854	1,059,633	943,066
Professional fees		20,000	16,641	92,829	60,947
Shareholder communication and filing fees		38,399	43,080	170,924	98,433
Promotion expenses		36,208	58,034	149,984	142,141
Travel expenses		5,161	-	70,291	-
Office expenses		31,000	24,597	121,472	65,365
Share-based compensation	7,11	-	292,493	8,878,782	1,359,841
(Loss) for the period before other items		(2,721,532)	(1,386,795)	(15,263,783)	(3,610,904)
Other items					
Interest income		8,451	4,125	28,667	7,032
Interest expense		-	-	-	(987)
Foreign exchange gain/(loss)		(290,174)	157,762	(157,251)	149,546
(Loss) and comprehensive (loss) for the period		(3,003,255)	(1,224,908)	(15,392,367)	(3,455,313)
Basic and diluted (loss) per share		\$ (0.02)	\$ (0.01)	\$ (0.08)	\$ (0.03)
Weighted average number of common shares outstanding					
Basic and Diluted		197,290,066	122,652,304	193,669,279	122,652,304

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 \$
Balance, September 30, 2021		181,709,537	40,425,848	6,836,167	13,307,624	(34,356,091)	26,213,548
Warrants exercised	7	16,000,429	7,005,747	(1,754,226)	-	-	5,251,521
Options exercised	7	1,200,000	272,419	-	(128,420)	-	143,999
Share-based compensation	7	-	-	-	8,878,782	-	8,878,782
Loss and comprehensive loss for the period		-	-	-	-	(15,392,367)	(15,392,367)
Balance, June 30, 2022		198,909,966	47,704,014	5,081,941	22,057,986	(49,748,458)	25,095,483
Balance, September 30, 2020		85,047,396	15,416,180	659,987	621,445	(17,162,433)	(464,821)
Common shares issued, net of issue costs	6	50,600,648	7,457,525	-	-	-	7,457,525
Warrants issued	7	-	(2,915,539)	2,915,539	-	-	-
Warrants exercised	7	17,469,630	3,863,762	(1,175,728)	-	-	2,688,034
Warrants expired unexercised	7	-	-	(2,372)	-	2,372	-
Options exercised	7	1,250,000	392,001	-	(179,001)	-	213,000
Share-based compensation	7	-	-	-	1,359,841	-	1,359,841
Loss and comprehensive loss for the period		-	-	-	-	(3,455,313)	(3,455,313)
Balance, June 30, 2021		154,367,674	24,213,929	2,397,426	1,802,285	(20,615,374)	7,798,266

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

		Nine months ended June 30,	
	Note	2022 \$	2021 \$
Cash (used in)/provided by:			
Operating activities			
(Loss) for the period		(15,392,367)	(3,455,313)
Items not involving cash:			
Share-based compensation	7	8,878,782	1,359,841
Interest expense		-	987
Amortization	4	23,434	1,226
Working capital adjustments:		(1,679,374)	(467,460)
Net cash (used in) operating activities		(8,169,525)	(2,560,719)
Investing activities			
Additions to property, plant and equipment	4	(291,692)	-
Exploration and evaluation properties, net of change in working capital		-	161
Increase in reclamation deposits		(78,395)	-
Net cash (used in) investing activities		(370,087)	161
Financing activities			
Proceeds from issuance of common shares and warrants	6	-	8,175,000
Cost of issue	6	-	(717,475)
Loan repayment	7	-	(340,000)
Options exercised	7	144,000	213,000
Warrants exercised	7	5,251,520	2,688,034
Net cash provided by financing activities		5,395,520	10,018,559
Change in cash and cash equivalents, during the period		(3,144,092)	7,458,001
Cash and cash equivalents, beginning of period		26,777,430	778,065
Cash and cash equivalents, end of period		23,633,338	8,236,066

SUPPLEMENTAL INFORMATION

Broker warrants issued	7	\$	-	\$	535,407
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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 nine months ended June 30, 2022 and 2021

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 Resources Corp. and commenced trading as a Tier 2 Mining Issuer on the TSX Venture Exchange (“TSXV”) on January 11, 2013 under the new trading symbol “EMO”. The Company also trades on the OTCQB Venture Market in the United States under the trading symbol “EMOTF”. The Company owns the following subsidiary:

- A 100% interest in Emerita Resources Espana SL (“Emerita Espana”), a company incorporated on May 30, 2012 in Spain.

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

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

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

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

As at June 30, 2022, the Company has working capital of \$24,648,649 (September 30, 2021: \$25,748,791), and an accumulated deficit of \$49,748,458 (September 30, 2021: \$34,356,091). The Company has a need for equity financing for working capital and exploration and development of its properties. Because of continuing operating losses, the Company’s continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operation.

These 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 condensed interim consolidated financial statements. Such adjustments could be material.

Emerita Resources Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended June 30, 2022 and 2021

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. Despite the severity of the COVID-19 pandemic, there were no material impacts on the Company's operations and finances for the nine months ended June 30, 2022.

2. BASIS OF PRESENTATION

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, 2021.

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 subsidiary. All values are rounded to the nearest dollar.

These condensed interim consolidated financial statements include the accounts of the Company and its subsidiary. All material intercompany transactions and balances between subsidiaries have been eliminated on consolidation.

Approval of the consolidated financial statements

These condensed interim consolidated financial statements of the Company for the nine months ended June 30, 2022 were reviewed, approved and authorized for issue by the Board of Directors of the Company on August 26, 2022.

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.

Emerita Resources Corp.

Notes to the Condensed Interim Consolidated Financial Statements

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2. BASIS OF PRESENTATION (continued)

Critical judgements and estimation uncertainties (continued)

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

Income, value added, withholding and other taxes

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

Share-based payments

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

Contingencies

Refer to Notes 1 and 12.

3. CASH AND CASH EQUIVALENTS

	June 30, 2022 (\$)	September 30, 2021 (\$)
Cash	6,633,338	3,777,430
Guaranteed investment certificate ("GIC"), bearing interest at prime rate minus 2.0%, redeemable anytime and maturing July 2, 2022	-	6,000,000
Guaranteed investment certificate ("GIC"), bearing interest at prime rate minus 2.0%, redeemable anytime and maturing July 15, 2022	17,000,000	17,000,000
Cash and cash equivalents	23,633,338	26,777,430

Emerita Resources Corp.

Notes to the Condensed Interim Consolidated Financial Statements

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4. EQUIPMENT

	Office Equipment	Office Furniture	Software	Vehicles	Total
Cost as at September 30, 2020	\$ 26,712	\$ 19,411	\$ 1,881	\$ -	\$ 48,004
Additions, 2021	3,367	1,596	-	-	\$ 4,963
Disposals, 2021	(2,444)	(583)	-	-	\$ (3,027)
Cost as at September 30, 2021	\$ 27,635	\$ 20,424	\$ 1,881	\$ -	\$ 49,940
Additions, 2022	45,110	57,626	-	188,956	\$ 291,692
Cost as at June 30, 2022	\$ 72,745	\$ 78,050	\$ 1,881	\$ 188,956	\$ 341,631
Accumulated amortization as at September 30, 2020	\$ 22,486	\$ 15,760	\$ 1,881	\$ -	\$ 40,127
Charge for the year, 2021	86	1,783	-	-	1,869
Accumulated amortization as at September 30, 2021	\$ 22,572	\$ 17,543	\$ 1,881		\$ 41,996
Charge for the year, 2022	4,537	4,693	-	14,204	23,434
Accumulated amortization as at June 30, 2022	\$ 27,109	\$ 22,236	\$ 1,881	\$ 14,204	\$ 65,430
Net book value as at September 30, 2021	\$ 4,226	\$ 3,651	\$ -	\$ -	\$ 7,877
Net book value as at June 30, 2022	\$ 45,636	\$ 55,813	\$ -	\$ 174,752	\$ 276,201

5. EXPLORATION AND EVALUATION EXPENDITURES

	For the nine months ended June 30,	
	2022	2021
Land management fees, taxes and permits	\$ 186,266	\$ 53,176
Labour	1,245,029	134,460
Drilling and geophysics	2,406,308	-
Travel, meals and accomodations	31,597	14,887
Legal fees	557,916	253,713
Project overhead costs	292,752	484,875
Total project evaluation expenses	\$ 4,719,868	\$ 941,111

As at June 30, 2022, the Company has valid permits for two zinc and gold exploration properties in Spain. The gold properties are comprised of exploration permits that were issued by the Asturias regulatory authorities in Spain. The zinc property is comprised of exploration permits that were issued by the Andalusian regulatory authorities in Spain.

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

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

Emerita Resources Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended June 30, 2022 and 2021

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5. EXPLORATION AND EVALUATION EXPENDITURES (continued)

b) Sierra Alta Property

- The Sierra Alta Property is comprised of one exploration permit which consists of certain mining claims in the Asturias region in northwestern Spain. The Company applied for the permit on November 18, 2013 and received notice that the property had been granted on July 8, 2015. The concession was valid for a three-year term and was renewable for equal and successive periods of three years. Permit renewals were submitted in 2020, and the renewal is still pending.
- On April 20, 2020, the Company signed a binding letter agreement with Western Metallica Corp. (“Western”), a publicly traded company, pursuant to which Western may earn a 55% interest in the Sierra Alta project (the “Sierra Transaction”). A director and officer of Western is also a director and officer of the Company. Refer to Note 10.
- To earn its 55% interest, Western shall:
 1. Pay \$50,000 in cash to the Company (paid);
 2. Issue 500,000 shares of Western to the Company upon the renewal of the license for the Sierra Alta project;
 3. Spend \$500,000 on mineral exploration of the project within 24 months of the signing of the definitive agreement, and;
 4. Enter into a binding joint venture agreement with the Company.

6. COMMON SHARES

Authorized

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

Common Shares Issued

	Number of shares	
	outstanding	Amount (\$)
Balance, September 30, 2020	85,047,396	15,416,180
Private placements, net of issuance costs (iii,iv,v)	68,783,148	26,101,289
Warrant valuations (iii,iv,v)	-	(6,731,388)
Broker warrant valuations (iii,iv,v)	-	(906,967)
Warrant exercises (vi)	25,558,993	3,961,137
Valuation allocation of exercise of warrants	-	1,459,803
Option exercise (vii)	2,320,000	638,000
Valuation allocation of exercise of options	-	487,794
Balance, September 30, 2021	181,709,537	40,425,848
Warrant exercises (i)	16,000,429	5,251,521
Valuation allocation of exercise of warrants	-	1,754,227
Option exercise (ii)	1,200,000	144,000
Valuation allocation of exercise of options	-	128,419
Balance, June 30, 2022	198,909,966	47,704,014

Emerita Resources Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended June 30, 2022 and 2021

Expressed in Canadian Dollars- Unaudited

6. COMMON SHARES (continued)

Common Shares Issued (continued)

- (i) During the nine months ended June 30, 2022, 15,465,301 of the Company's warrants were exercised at a weighted-average price of \$0.33 per common share, and 535,128 of the Company's finder warrants were exercised at a weighted-average price of \$0.39 per common share, generating gross proceeds of \$5,251,521. Directors and officers of the Company exercised 1,765,708 warrants at a weighted-average price of \$0.15 per share, generating proceeds of \$264,856.
- (ii) During the nine months ended June 30, 2022, 1,200,000 of the Company's stock options were exercised at a weighted-average price of \$0.12 per common share, generating gross proceeds of \$144,000. Directors and officers of the Company exercised 900,000 options at a price of \$0.10 per common share, generating gross proceeds of \$90,000.
- (iii) On July 15, 2021, the Company completed a private placement financing by issuing 18,182,500 units at a price of \$1.10 per unit for gross proceeds of \$20,000,750. Each unit is comprised of one common share of the Company and one-half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one common share at a price of \$1.50 for a period of 24 months. The grant date fair value of the warrants issued was estimated at \$4,690,124 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; share price of \$0.84; expected volatility of 147.4%; risk-free interest rate of 0.44% and expected life of 2 years.

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

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

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

Emerita Resources Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended June 30, 2022 and 2021

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6. COMMON SHARES (continued)

Common Shares Issued (continued)

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

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

- (vi) During the year ended September 30, 2021, 3,590,944 of the Company's finder warrants were exercised at a weighted-average price of \$0.15 per common share, and 21,968,049 of the Company's warrants were exercised at a price of \$0.16 per common share, generating gross proceeds of \$3,961,137.
- (vii) During the year ended September 30, 2021, 2,320,000 of the Company's options were exercised at a weighted-average exercise price of \$0.28 per share, generating gross proceeds of \$638,000.

Emerita Resources Corp.

Notes to the Condensed Interim Consolidated Financial Statements

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7. EQUITY RESERVES

Warrants

The changes in warrants issued during the year ended September 30, 2021 and nine months ended June 30, 2022 are as follows:

	Number of warrants	Weighted average exercise price	Value of warrants
Balance, September 30, 2020	19,647,001	\$ 0.15	\$ 659,987
Exercised, October 2020	(9,900)	0.10	(750)
Granted, December 2020	21,439,284	0.16	1,535,843
Exercised, January 2021	(24,000)	0.15	(490)
Granted, February 2021	7,636,362	0.30	803,332
Exercised, February 2021	(1,021,600)	0.15	(22,017)
Exercised, March 2021	(71,400)	0.15	(5,202)
Exercised, April 2021	(177,066)	0.10	(13,410)
Exercised, May 2021	(12,071,394)	0.15	(696,799)
Expired, May 2021	(31,320)	0.10	(2,372)
Exercised, June 2021	(4,094,270)	0.16	(231,259)
Granted, July 2021	10,182,200	1.46	5,299,180
Exercised, July 2021	(7,231,165)	0.16	(439,755)
Exercised, August 2021	(498,913)	0.26	(30,453)
Exercised, September 2021	(359,285)	0.15	(19,668)
Balance, September 30, 2021	33,314,534	\$ 0.58	\$ 6,836,167
Exercised, October 2021	(1,088,927)	0.59	(42,797)
Exercised, November 2021	(10,332,256)	0.29	(1,229,518)
Exercised, December 2021	(617,500)	0.32	(50,998)
Exercised, January 2022	(660,318)	0.29	(60,098)
Exercised, February 2022	(951,700)	0.83	(264,583)
Exercised, March 2022	(561,428)	0.27	(52,272)
Exercised, May 2022	(650,000)	0.15	(13,260)
Exercised, June 2022	(1,138,300)	0.15	(40,700)
Balance, June 30, 2022	17,314,105	\$ 0.82	\$ 5,081,941

The following summarizes the warrants outstanding as of June 30, 2022:

	Number exercisable #	Grant date	Expiry date	Exercise price \$	Estimated grant date fair value \$	Volatility	Risk-free interest rate	Expected life (Yrs) #	Expected dividend yield
2,210,000	2,210,000	10-Jul-20	10-Jul-22	\$0.15	45,084	153%	0.27%	2.00	0%
363,840	363,840	10-Jul-20	10-Jul-22	\$0.15	7,422	153%	0.27%	2.00	0%
1,229,996	1,229,996	13-Aug-20	13-Aug-22	\$0.15	89,621	163%	0.31%	2.00	0%
20,319	20,319	13-Aug-20	13-Aug-22	\$0.15	1,481	163%	0.31%	2.00	0%
2,742,500	2,742,500	11-Dec-20	11-Dec-22	\$0.16	196,464	161%	0.25%	2.00	0%
1,330,714	1,330,714	11-Dec-20	11-Dec-22	\$0.16	95,328	161%	0.25%	2.00	0%
613,636	613,636	23-Feb-21	23-Feb-23	\$0.30	64,553	152%	0.23%	2.00	0%
7,847,150	7,847,150	15-Jul-21	15-Jul-23	\$1.50	4,048,300	147%	0.44%	2.00	0%
955,950	955,950	15-Jul-21	15-Jul-23	\$1.10	533,688	147%	0.44%	2.00	0%
17,314,105	17,314,105				5,081,941				

The weighted-average remaining contractual life of the warrants as of June 30, 2022 is 0.67 years (September 30, 2021: 1.31 years).

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7. EQUITY RESERVES (continued)

Share-based payments

The changes in stock options issued during the year ended September 30, 2021 and nine months ended June 30, 2022 are as follows:

		Grant date	Expiry date	Exercise price \$	Estimated grant date fair value \$	Volatility	Risk-free interest rate	Expected life (Yrs) #	Expected dividend yield
2,050,000	2,050,000	07-Nov-19	07-Nov-24	\$0.10	182,835	167%	1.54%	5.00	0%
500,000	500,000	27-May-20	27-May-25	\$0.05	24,450	140%	0.40%	5.00	0%
4,800,000	4,800,000	05-Feb-21	05-Feb-26	\$0.18	770,401	143%	0.48%	5.00	0%
25,000	25,000	03-Mar-21	03-Mar-26	\$0.27	6,400	173%	0.83%	5.00	0%
300,000	300,000	14-Apr-21	14-Apr-26	\$0.25	63,870	174%	0.95%	5.00	0%
200,000	200,000	25-Jun-21	25-Jun-26	\$1.10	228,623	171%	1.00%	5.00	0%
7,200,000	7,200,000	29-Jul-21	29-Jul-26	\$1.86	11,902,626	142%	0.81%	5.00	0%
3,670,000	3,670,000	04-Feb-22	04-Feb-27	\$2.75	8,878,781	137%	1.71%	5.00	0%
18,745,000	18,745,000				22,057,986				

On February 4, 2022, the Company granted a total of 3,670,000 stock options to directors, officers and consultants of the Company pursuant to its stock option plan. The options vested immediately and may be exercised at a price of \$2.75 per option for a period of 5 years from the date of grant. The fair value of the stock options was estimated at \$8,878,782 using the Black-Scholes pricing model, with the following weighted average assumptions: expected dividend yield 0%, stock price \$2.75, expected annual volatility 137%, risk-free interest rate 1.71% and expected average life 5 years. Directors and officers were granted 3,200,000 options, with a fair value of \$7,741,717.

During the nine months ended June 30, 2022, 1,200,000 of the Company's options were exercised at a weighted-average exercise price of \$0.12, generating proceeds of \$144,000 (nine months ended June 30, 2021: 1,250,000 options exercised generating proceeds of \$213,000). Directors and officers of the Company exercised 900,000 options, generating proceeds of \$90,000. The Company's share price at the time of option exercise was as follows:

Exercise Date	Options Exercised	Share Price
December 9, 2021	650,000	\$ 2.99
January 14, 2022	200,000	\$ 3.48
March 7, 2022	100,000	\$ 2.18
June 8, 2022	250,000	\$ 1.50

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

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

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7. EQUITY RESERVES (continued)

Share-based payments (continued)

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

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

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

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

Options outstanding as of June 30, 2022 are as follows:

		Grant date	Expiry date	Exercise price	Estimated grant date fair value	Volatility	Risk-free interest rate	Expected life (Yrs) #	Expected dividend yield
				\$	\$				
2,050,000	2,050,000	07-Nov-19	07-Nov-24	\$0.10	182,835	167%	1.54%	5.00	0%
500,000	500,000	27-May-20	27-May-25	\$0.05	24,450	140%	0.40%	5.00	0%
4,800,000	4,800,000	05-Feb-21	05-Feb-26	\$0.18	770,401	143%	0.48%	5.00	0%
25,000	25,000	03-Mar-21	03-Mar-26	\$0.27	6,400	173%	0.83%	5.00	0%
300,000	300,000	14-Apr-21	14-Apr-26	\$0.25	63,870	174%	0.95%	5.00	0%
200,000	200,000	25-Jun-21	25-Jun-26	\$1.10	228,623	171%	1.00%	5.00	0%
7,200,000	7,200,000	29-Jul-21	29-Jul-26	\$1.86	11,902,626	142%	0.81%	5.00	0%
3,670,000	3,670,000	04-Feb-22	04-Feb-27	\$2.75	8,878,781	137%	1.71%	5.00	0%
18,745,000	18,745,000				22,057,986				

The weighted average remaining contractual life of the options as at June 30, 2022 is 3.84 years (September 30, 2021: 4.33 years).

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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.

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

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

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no significant changes in the Company's approach to capital management during the nine months ended June 30, 2022 and 2021.

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.

9. FINANCIAL INSTRUMENTS

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

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

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

The Company's financial instruments include cash and cash equivalents, amounts receivable, and accounts payable and accrued liabilities. The carrying values of these financial instruments reported in the statement of financial position approximate their respective fair values due to the relatively short-term nature of these instruments. As at June 30, 2022, the Company's financial instruments that are carried at fair value, being cash equivalents, are classified as Level 2 within the fair value hierarchy.

Emerita Resources Corp.

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9. FINANCIAL INSTRUMENTS (continued)

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 and cash equivalents*

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

(b) *Currency risk*

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

As at June 30, 2022 and September 30, 2021, the Company had the following financial instruments denominated in foreign currency (expressed in Canadian dollars):

June 30, 2022				
	Euro		US dollars	
Cash	\$	5,857,367	\$	2,275
Accounts payable and accrued liabilities		(125,360)		(12,102)
	\$	5,732,007	\$	(9,826)

September 30, 2021				
	Euro		US dollars	
Cash	\$	460,166	\$	13,231
Accounts payable and accrued liabilities		(458,801)		(2)
	\$	1,365	\$	13,229

A 10% strengthening (weakening) of the Canadian dollar against the Euro would decrease (increase) net loss by approximately \$573,200 (September 30, 2021- \$140).

A 10% strengthening (weakening) of the Canadian dollar against the US dollar would decrease (increase) net loss by approximately \$(1,000) (September 30, 2021- \$1,300).

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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 June 30, 2022, the Company had a cash and cash equivalents balance of \$23,633,338 (September 30, 2021 - \$26,777,430) to settle current liabilities of \$550,764 (September 30, 2021 - \$1,205,247). The Company's trade payables have contractual maturities of less than 30 days and are subject to normal trade terms.

(d) Commodity / Equity price risk

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

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 June 30, 2022, an amount of \$19,759, included in accounts payable and accrued liabilities, was owed to directors and officers of the Company (September 30, 2021: \$199,617). The amounts outstanding on fees are unsecured, non-interest bearing, with no fixed terms of repayment.

As at June 30, 2022, an amount of \$64,109, included in amounts receivable, was owed to the Company by directors and officers of the Company (September 30, 2021: \$23,541). The amounts outstanding are unsecured, non-interest bearing, with no fixed terms of repayment.

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 nine months ended June 30, 2022 and 2021, the remuneration of directors and other key management personnel are as follows:

	Three months ended June 30,		Nine months ended June 30,	
	2022	2021	2022	2021
Management fees	\$ 253,874	\$ 167,809	\$ 760,521	\$ 545,808
Share-based compensation	-	-	7,741,717	664,231
Total	\$ 253,874	\$ 167,809	\$ 8,502,238	\$ 1,210,039

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11. SEGMENT INFORMATION

The Company conducts its business as a single operating segment, being mineral exploration and evaluation in Spain. The following tables summarize the total assets and liabilities by geographic segment as at June 30, 2022 and September 30, 2021:

June 30, 2022	Spain	Canada	Total
Cash and cash equivalents	\$ 5,857,367	\$ 17,775,971	\$ 23,633,338
Other current assets	1,379,556	186,519	1,566,075
Reclamation deposits	170,633	-	170,633
Equipment	276,201	-	276,201
Total Assets	\$ 7,683,757	\$ 17,962,490	\$ 25,646,247
Accounts payable and accrued liabilities	\$ 125,360	\$ 425,404	\$ 550,764
Total liabilities	\$ 125,360	\$ 425,404	\$ 550,764

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

The following tables summarize the loss by geographic segment for the nine months ended June 30, 2022 and 2021:

June 30, 2022	Spain	Canada	Total
Other income	\$ -	\$ (28,667)	\$ (28,667)
Project evaluation expenses	4,719,868	-	4,719,868
General and administrative expenses	-	10,543,915	10,543,915
Foreign exchange loss	-	157,251	157,251
Loss	\$ 4,719,868	\$ 10,672,499	\$ 15,392,367

June 30, 2021	Spain	Canada	Brazil	Total
Other income	\$ -	\$ (7,032)	\$ -	\$ (7,032)
Project evaluation expenses	941,020	-	91	941,111
General and administrative expenses	-	2,670,780	-	2,670,780
Foreign exchange loss	-	(149,546)	-	(149,546)
Loss	\$ 941,020	\$ 2,514,202	\$ 91	\$ 3,455,313

12. COMMITMENTS AND CONTINGENCIES

The Company's exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company expects to make expenditures to comply with such laws and regulations.

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12. COMMITMENTS AND CONTINGENCIES (continued)

The Company is party to certain management contracts. These contracts contain minimum commitments of approximately \$530,500 (September 30, 2021- \$592,000) and additional contingent payments of up to approximately \$1,890,000 (September 30, 2021- \$2,130,000). As a triggering event has not taken place, the contingent payments have not been reflected in these condensed interim consolidated financial statements.

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

13. SUBSEQUENT EVENTS

Subsequent to June 30, 2022, 5,054,866 of the Company's warrants were exercised, generating additional proceeds of \$771,537.