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## **Condensed Interim Consolidated Financial Statements**

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**For the three months ended December 31, 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:		December 31, 2022	September 30, 2022
	Note	\$	\$
<b>ASSETS</b>			
Current			
Cash and cash equivalents	3	13,791,467	20,109,507
Amounts receivable	4	2,471,864	1,562,650
Marketable securities	5,11	55,064	74,730
Prepaid expenses		433,939	232,198
<b>Total current assets</b>		<b>16,752,334</b>	<b>21,979,085</b>
Long-term			
Reclamation deposits	7	350,252	324,209
Equipment	6	308,866	316,729
<b>Total assets</b>		<b>17,411,452</b>	<b>22,620,023</b>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable and accrued liabilities	11,12	636,058	1,840,379
<b>Total liabilities</b>		<b>636,058</b>	<b>1,840,379</b>
<b>SHAREHOLDERS' EQUITY</b>			
Common shares	8	49,591,109	48,725,152
Warrant reserve	9	4,581,987	4,837,453
Option reserve	9	22,271,610	22,271,610
Deficit		(59,669,312)	(55,054,571)
<b>Total shareholders' equity</b>		<b>16,775,394</b>	<b>20,779,644</b>
<b>Total liabilities and shareholders' equity</b>		<b>17,411,452</b>	<b>22,620,023</b>
Nature of operations and going concern	1		
Commitments and contingencies	14		

Approved on behalf of the Board of Directors on February 24, 2023:

Signed: "Catherine Stretch", Director

Signed: "David Gower", Director

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

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**Emerita Resources Corp.****Condensed Interim Consolidated Statements of Loss and Comprehensive Loss***Expressed in Canadian Dollars- Unaudited*

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		Three months ended	
		December 31,	
	Note	2022	2021
		\$	\$
<b>Expenses</b>			
Project evaluation expenses	7	4,070,797	1,525,161
Consulting and management fees	12	384,361	342,860
Professional fees		22,500	20,000
Shareholder communication and filing fees		62,991	49,292
Promotion expenses		124,825	62,996
Travel expenses		63,817	43,508
Office expenses		31,907	31,431
<b>(Loss) for the period before other items</b>		<b>(4,761,198)</b>	<b>(2,075,248)</b>
<b>Other items</b>			
Interest income		41,779	2,119
Interest expense		-	-
Unrealized (loss) on investments	5	(19,666)	-
Foreign exchange gain/(loss)		124,344	(50,081)
<b>(Loss) and comprehensive (loss) for the period</b>		<b>(4,614,741)</b>	<b>(2,123,210)</b>
<b>(Loss) per share</b>			
Basic and diluted		\$ (0.02)	\$ (0.01)
<b>Weighted average number of common shares outstanding</b>			
Basic and diluted		205,259,570	188,186,619

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 \$
<b>Balance, September 30, 2022</b>		<b>204,042,332</b>	<b>48,725,152</b>	<b>4,837,453</b>	<b>22,271,610</b>	<b>(55,054,571)</b>	<b>20,779,644</b>
Warrants exercised	9	3,278,636	865,957	(255,466)	-	-	610,491
Loss and comprehensive loss for the period		-	-	-	-	(4,614,741)	(4,614,741)
<b>Balance, December 31, 2022</b>		<b>207,320,968</b>	<b>49,591,109</b>	<b>4,581,987</b>	<b>22,271,610</b>	<b>(59,669,312)</b>	<b>16,775,394</b>
<b>Balance, September 30, 2021</b>		<b>181,709,537</b>	<b>40,425,848</b>	<b>6,836,167</b>	<b>13,307,624</b>	<b>(34,356,091)</b>	<b>26,213,548</b>
Warrants exercised	9	12,038,683	5,171,901	(1,323,313)	-	-	3,848,588
Options exercised	9	650,000	122,972	-	(57,972)	-	65,000
Loss and comprehensive loss for the period		-	-	-	-	(2,123,210)	(2,123,210)
<b>Balance, December 31, 2021</b>		<b>194,398,220</b>	<b>45,720,721</b>	<b>5,512,854</b>	<b>13,249,652</b>	<b>(36,479,301)</b>	<b>28,003,926</b>

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

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

	Note	Three months ended	
		2022	2021
		\$	\$
<b>Cash (used in)/provided by:</b>			
<b>Operating activities</b>			
(Loss) for the period		(4,614,741)	(2,123,210)
Items not involving cash:			
Loss on marketable securities	5	19,666	-
Amortization	6	7,863	742
Working capital adjustments:		(2,315,276)	(733,533)
<b>Net cash (used in) operating activities</b>		<b>(6,902,488)</b>	<b>(2,856,001)</b>
<b>Investing activities</b>			
Additions to equipment	6	-	(169,044)
Increase (decrease) in reclamation deposits		(26,043)	2,558
<b>Net cash (used in) investing activities</b>		<b>(26,043)</b>	<b>(166,486)</b>
<b>Financing activities</b>			
Options exercised	9	-	65,000
Warrants exercised	9	610,491	3,848,588
<b>Net cash provided by financing activities</b>		<b>610,491</b>	<b>3,913,588</b>
<b>Change in cash and cash equivalents, during the period</b>		<b>(6,318,040)</b>	<b>891,101</b>
<b>Cash and cash equivalents, beginning of period</b>		<b>20,109,507</b>	<b>26,777,430</b>
<b>Cash and cash equivalents, end of period</b>		<b>13,791,467</b>	<b>27,668,531</b>

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

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# **Emerita Resources Corp.**

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

**For the three months ended December 31, 2022 and 2021**

*Expressed in Canadian Dollars- Unaudited*

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### **1. NATURE OF OPERATIONS AND GOING CONCERN**

Emerita Resources Corp. (the “Company”, or “Emerita”) was incorporated on October 30, 2009 as 0865140 BC Ltd. pursuant to the *Business Corporations Act of British Columbia*. On January 8, 2013, the Company completed its Qualifying Transaction and ceased to be a Capital Pool Company. The Company changed its name to Emerita 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 property interests may also be subject to increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and restrictions, and political uncertainty.

As at December 31, 2022, the Company has working capital of \$16,116,276 (September 30, 2022: \$20,138,706), and an accumulated deficit of \$59,669,312 (September 30, 2022: \$55,054,571). 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. At December 31, 2022, the Company has sufficient working capital to support planned operations for the next twelve months.

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.

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# Emerita Resources Corp.

## Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended December 31, 2022 and 2021

Expressed in Canadian Dollars- Unaudited

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### 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 three months ended December 31, 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, 2022.

#### ***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 three months ended December 31, 2022 were reviewed, approved and authorized for issue by the Board of Directors of the Company on February 24, 2023.

#### ***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.



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# **Emerita Resources Corp.**

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

**For the three months ended December 31, 2022 and 2021**

*Expressed in Canadian Dollars- Unaudited*

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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:

#### *Fair value of financial instruments*

Marketable securities are measured at fair value. The estimated fair value of financial instruments, by their very nature, are subject to measurement uncertainty. The Company estimates fair value using valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

#### *Estimation of decommissioning and restoration costs and the timing of expenditure*

The cost estimates are updated annually during the life of a mine to reflect known developments (e.g. revisions to cost estimates and to the estimated lives of operations) and are subject to review at regular intervals. Decommissioning, restoration, and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration, or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

#### *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 14.

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## **Emerita Resources Corp.**

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

**For the three months ended December 31, 2022 and 2021**

*Expressed in Canadian Dollars- Unaudited*

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#### **3. CASH AND CASH EQUIVALENTS**

	<b>December 31, 2022</b>	<b>September 30, 2022</b>
	<b>(\$)</b>	<b>(\$)</b>
Cash	5,791,467	8,109,507
Guaranteed investment certificate ("GIC"), bearing interest at 3.45% per annum, redeemable anytime and maturing September 26, 2023	8,000,000	8,000,000
Guaranteed investment certificate ("GIC"), bearing interest at 3.45% per annum, redeemable anytime and maturing September 26, 2023	-	4,000,000
<b>Cash and cash equivalents</b>	<b>13,791,467</b>	<b>20,109,507</b>

#### **4. AMOUNTS RECEIVABLE**

	<b>December 31, 2022</b>	<b>September 30, 2022</b>
	<b>\$</b>	<b>\$</b>
Sales taxes receivable- Spain	2,226,566	1,284,506
Sales taxes receivable- Canada	49,044	57,218
Other receivables	196,254	220,926
	<b>2,471,864</b>	<b>1,562,650</b>

#### **5. MARKETABLE SECURITIES**

The Company's marketable securities consist of 786,632 common shares (September 30, 2022: 786,632 common shares) of Western Metallica Resource Corp. ("Western") (TSXV: WMS.V). The carrying value is calculated based on the estimated fair value determined using the quoted market price of \$0.07 per share at December 31, 2022 (September 30, 2022: \$0.095 per share). The cost of the common shares was \$74,730, and the shares are classified in Level 1 of the fair value hierarchy. An unrealized loss of \$19,666 was recorded in the Company's statements of loss for the three months ended December 31, 2022. See Notes 7 and 11.

## Emerita Resources Corp.

### Notes to the Condensed Interim Consolidated Financial Statements For the three months ended December 31, 2022 and 2021

Expressed in Canadian Dollars- Unaudited

#### 6. EQUIPMENT

	Equipment	Furniture	Software	Vehicles	Total
Cost as at September 30, 2021	\$ 27,635	\$ 20,424	\$ 1,881	\$ -	\$ 49,940
Additions, 2022	2,634	94,618	37,247	188,956	323,455
Cost as at September 30, 2022	\$ 30,269	\$ 115,042	\$ 39,128	\$ 188,956	\$ 373,395
Additions, 2023	-	-	-	-	-
<b>Cost as at December 31, 2022</b>	<b>\$ 30,269</b>	<b>\$ 115,042</b>	<b>\$ 39,128</b>	<b>\$ 188,956</b>	<b>\$ 373,395</b>
Accumulated amortization as at September 30, 2021	\$ 22,572	\$ 17,543	\$ 1,881	\$ -	\$ 41,996
Charge for the year, 2022	(2,026)	883	-	15,813	14,670
Accumulated amortization as at September 30, 2022	\$ 20,546	\$ 18,426	\$ 1,881	\$ 15,813	\$ 56,666
Charge for the year, 2023	(108)	7,971	-	-	7,863
<b>Accumulated amortization as at December 31, 2022</b>	<b>\$ 20,438</b>	<b>\$ 26,397</b>	<b>\$ 1,881</b>	<b>\$ 15,813</b>	<b>\$ 64,529</b>
<b>Net book value as at September 30, 2022</b>	<b>\$ 9,723</b>	<b>\$ 96,616</b>	<b>\$ 37,247</b>	<b>\$ 173,143</b>	<b>\$ 316,729</b>
<b>Net book value as at December 31, 2022</b>	<b>\$ 9,831</b>	<b>\$ 88,645</b>	<b>\$ 37,247</b>	<b>\$ 173,143</b>	<b>\$ 308,866</b>

As at December 31, 2022, the carrying value of equipment is comprised of \$nil in Canada (September 30, 2022: nil) and \$308,866 in Spain (September 30, 2022: \$316,729).

#### 7. EXPLORATION AND EVALUATION EXPENDITURES

	For the three months ended	
	December 31, 2022	December 31, 2021
Land management fees, taxes and permits	\$ 5,072	\$ 8,205
Labour	528,329	238,037
Drilling and geophysics	2,813,940	493,594
Travel, meals and accomodations	-	32,354
Legal fees	101,189	309,370
Project overhead costs	622,267	443,601
<b>Total project evaluation expenses</b>	<b>\$ 4,070,797</b>	<b>\$ 1,525,161</b>

As at December 31, 2022, the Company has valid permits for three 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.

As at December 31, 2022, the Company has paid reclamation deposits totalling \$350,252, detailed as follows:

Project	Deposit paid (\$)
Iberia Belt West	217,882
Nuevo Tintillo	63,694
Sierra Alta	52,049
Other	16,627
	<b>350,252</b>

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## **Emerita Resources Corp.**

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

**For the three months ended December 31, 2022 and 2021**

*Expressed in Canadian Dollars- Unaudited*

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#### **7. EXPLORATION AND EVALUATION EXPENDITURES (continued)**

##### **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 was 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. On July 12, 2021, the Company received the final granted resolution. The initial rights are for a period of 26 months expiring September 12, 2023, and has the right to apply to have this period extended for a further 36 months.

##### **b) Nuevo Tintillo**

- The Nievo Tintillo Project consists of one exploration permit in Seville province, in the western part of the Iberian Pyrite Belt.
- The initial research permit was granted on September 12, 2014, and the expiry date of the permit was extended pending approval from the environmental authorities. On June 20, 2022, the Company received a final granted resolution, extending the exploration permit until June 20, 2025.

##### **c) 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 a one-year extension was granted on October 19, 2022.
- On April 20, 2020, the Company signed a binding letter agreement with Western, pursuant to which Western may earn a 55% interest in the Sierra Alta project (the “Sierra Transaction”). The Company entered into an amending agreement with Western in June 2022. A director and officer of Western is also a director and officer of the Company. Refer to Note 12.
- To earn its 55% interest, Western shall:
  1. Pay \$50,000 in cash to the Company (paid);
  2. Issue 786,632 shares of Western to the Company (completed on September 27, 2022- see Note 5);
  3. Spend \$500,000 on mineral exploration of the project within 24 months of the signing of the definitive agreement (completed);
  4. Enter into a binding joint venture agreement with the Company (in process).

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# Emerita Resources Corp.

## Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended December 31, 2022 and 2021

Expressed in Canadian Dollars- Unaudited

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### 8. COMMON SHARES

#### Authorized

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

#### Common Shares Issued

	Number of shares outstanding	Amount (\$)
<b>Balance, September 30, 2021</b>	<b>181,709,537</b>	<b>40,425,848</b>
Warrant exercises (ii)	21,132,795	6,035,456
Valuation allocation of exercise of warrants	-	1,991,428
Option exercise (iii)	1,200,000	144,000
Valuation allocation of exercise of options	-	128,420
<b>Balance, September 30, 2022</b>	<b>204,042,332</b>	<b>48,725,152</b>
Warrant exercises (i)	3,278,636	610,491
Valuation allocation of exercise of warrants	-	255,466
<b>Balance, December 31, 2022</b>	<b>207,320,968</b>	<b>49,591,109</b>

- (i) During the three months ended December 31, 2022, 2,665,000 of the Company's warrants were exercised at a weighted-average price of \$0.16 per common share, and 613,636 of the Company's finder warrants were exercised at a weighted-average price of \$0.30 per common share, generating gross proceeds of \$610,491.
- (ii) During the year ended September 30, 2022, 18,882,794 of the Company's warrants were exercised at a weighted-average price of \$0.29 per common share, and 2,250,001 of the Company's finder warrants were exercised at a weighted-average price of \$0.21 per common share, generating gross proceeds of \$6,035,456. Directors and officers of the Company exercised 2,583,558 warrants at a weighted-average price of \$0.15 per share, generating proceeds of \$387,534.
- (iii) During the year ended September 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.

# Emerita Resources Corp.

## Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended December 31, 2022 and 2021

Expressed in Canadian Dollars- Unaudited

### 9. EQUITY RESERVES

#### Warrants

The changes in warrants issued during the year ended September 30, 2022 and three months ended December 31, 2022 are as follows:

	Number of warrants	Weighted average exercise price	Value of warrants
<b>Balance, September 30, 2021</b>	<b>33,314,534</b>	<b>\$ 0.58</b>	<b>\$ 6,836,167</b>
Exercised, October 2021	(1,088,927)	0.59	(223,360)
Exercised, November 2021	(10,332,256)	0.29	(1,048,955)
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)
Exercised, July 2022	(3,904,554)	0.15	(147,835)
Exercised, August 2022	(1,150,312)	0.15	(83,815)
Expired, August 2022	(100,003)	0.15	(7,286)
Exercised, September 2022	(77,500)	0.16	(5,552)
<b>Balance, September 30, 2022</b>	<b>12,081,736</b>	<b>\$ 1.11</b>	<b>\$ 4,837,453</b>
Exercised, November 2022	(1,435,000)	0.16	(102,799)
Exercised, December 2022	(1,843,636)	0.21	(152,667)
<b>Balance, December 31, 2022</b>	<b>8,803,100</b>	<b>\$ 1.46</b>	<b>\$ 4,581,987</b>

The following summarizes the warrants outstanding as of December 31, 2022:

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
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%
<b>8,803,100</b>	<b>8,803,100</b>				<b>4,581,987</b>				

The weighted-average remaining contractual life of the warrants as of December 31, 2022 is 0.54 years (September 30, 2022: 0.64 years).

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**Emerita Resources Corp.****Notes to the Condensed Interim Consolidated Financial Statements****For the three months ended December 31, 2022 and 2021***Expressed in Canadian Dollars- Unaudited*

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**9. EQUITY RESERVES (continued)****Share-based payments**

The changes in stock options issued during the year ended September 30, 2022 and three months ended December 31, 2022 are as follows:

	Number of options	Weighted average exercise price	Estimated grant date fair value
<b>Balance, September 30, 2021</b>	<b>16,275,000</b>	<b>\$ 0.92</b>	<b>\$ 13,307,624</b>
Exercised, December, 2021	(650,000)	0.10	(57,972)
Exercised, January 2022	(200,000)	0.18	(32,100)
Granted, February 2022	3,670,000	2.75	8,878,782
Exercised, March 2022	(100,000)	0.18	(16,050)
Granted, April 2022	100,000	2.43	213,624
Exercised, June 2022	(250,000)	0.10	(22,298)
<b>Balance, September 30 and December 31, 2022</b>	<b>18,845,000</b>	<b>\$ 1.33</b>	<b>\$ 22,271,610</b>

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.

On April 14, 2022, the Company granted a total of 100,000 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 \$2.43 per option for a period of 5 years from the date of grant. The fair value of the stock options was estimated at \$213,624 using the Black-Scholes pricing model, with the following weighted average assumptions: expected dividend yield 0%, stock price \$2.43, expected annual volatility 136%, risk-free interest rate 2.61% and expected average life 5 years.

During the year ended September 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 (year ended September 30, 2022: 2,320,000 options exercised generating proceeds of \$638,000). 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:

	Options Exercised	Weighted-average Share Price
<b>Year ended September 30, 2022</b>	<b>1,200,000</b>	<b>\$2.69</b>

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## Emerita Resources Corp.

### Notes to the Condensed Interim Consolidated Financial Statements

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#### 9. EQUITY RESERVES (continued)

##### Share-based payments (continued)

Options outstanding as of December 31, 2022 are as follows:

	Number exercisable #	Grant date	Expiry date	Exercise price \$	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%
100,000	100,000	14-Apr-22	14-Apr-27	\$2.43	213,624	136%	2.61%	5.00	0%
<b>18,845,000</b>	<b>18,845,000</b>				<b>22,271,610</b>				

The weighted average remaining contractual life of the options as at December 31, 2022 is 3.34 years (September 30, 2022: 3.59 years).

#### 10. CAPITAL MANAGEMENT

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

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

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

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



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# Emerita Resources Corp.

## Notes to the Condensed Interim Consolidated Financial Statements

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### 11. 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, marketable securities, 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 December 31, 2022, the Company's financial instruments that are carried at fair value, being cash equivalents and marketable securities, are classified as Level 2 and Level 1, respectively, within the fair value hierarchy.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

(a) *Credit risk*

Counterparty credit risk is the risk that the financial benefits of contracts with a specific counterparty will be lost if a counterparty defaults on its obligations under the contract. This includes any cash amounts owed to the Company by those counterparties, less any amounts owed to the counterparty by the Company where a legal right of set-off exists and also includes the fair values of contracts with individual counterparties which are recorded in the financial statements.

a. *Trade credit risk*

As at December 31, 2022, the Company has recorded \$2,275,610 in sales tax receivable from the Canadian and Spanish tax authorities (September 30, 2022: \$1,341,724). Any potential reassessment subsequent to the financial statement reporting date could have a material effect on the Company's financial condition and results of operations.

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.

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# Emerita Resources Corp.

## Notes to the Condensed Interim Consolidated Financial Statements

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### 11. FINANCIAL INSTRUMENTS (continued)

As at December 31 and September 30, 2022, the Company had the following financial instruments denominated in foreign currency (expressed in Canadian dollars):

<b>December 31, 2022</b>				
	<b>Euro</b>		<b>US dollars</b>	
Cash	\$	2,140,145	\$	547
Accounts payable and accrued liabilities		(447,896)		(30,862)
	\$	1,692,249	\$	(30,315)

  

<b>September 30, 2022</b>				
	<b>Euro</b>		<b>US dollars</b>	
Cash	\$	2,924,145	\$	6,660
Accounts payable and accrued liabilities		(1,639,132)		(16,011)
	\$	1,285,013	\$	(9,351)

A 10% strengthening (weakening) of the Canadian dollar against the Euro would decrease (increase) net loss by approximately \$169,200 (September 30, 2022- \$128,500).

A 10% strengthening (weakening) of the Canadian dollar against the US dollar would decrease (increase) net loss by approximately \$(3,000) (September 30, 2022- \$(900)).

#### (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 December 31, 2022, the Company had a cash and cash equivalents balance of \$13,791,467 (September 30, 2022 - \$20,109,507) to settle current liabilities of \$636,058 (September 30, 2022 - \$1,840,379). 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, 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.

#### (e) Price risk of marketable securities

The Company is exposed to market risk in trading its investments and unfavourable market conditions could result in dispositions of investments at less than favourable prices.

# Emerita Resources Corp.

## Notes to the Condensed Interim Consolidated Financial Statements

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### 12. RELATED PARTY TRANSACTIONS

As at December 31, 2022, an amount of \$16,458, included in accounts payable and accrued liabilities, was owed to directors and officers of the Company (September 30, 2022: \$14,432). The amounts outstanding on fees are unsecured, non-interest bearing, with no fixed terms of repayment.

As at December 31, 2022, an amount of \$85,184, included in amounts receivable, was owed to the Company by Western (September 30, 2022: \$78,851). The Company has common directors and officers with Western.

As at December 31, 2022, an amount of \$111,069, included in amounts receivable, was owed to the Company by directors and officers of the Company (September 30, 2022: \$134,864). The amounts outstanding are unsecured, non-interest bearing, with no fixed terms of repayment.

On April 20, 2020, the Company signed a binding letter agreement with Western, pursuant to which Western would earn a 55% interest in the Sierra Alta project. A director and officer of Western is also a director and officer of the Company. See Notes 5 and 7.

#### *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 months ended December 31, 2022 and 2021, the remuneration of directors and other key management personnel are as follows:

	Three months ended December 31,	
	2022	2021
Management fees	\$ 256,748	\$ 253,303

See Note 9 for disclosure of warrants and options exercised by directors and officers of the Company.

### 13. 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 December 31 and September 30, 2022:

<b>December 31, 2022</b>	<b>Spain</b>	<b>Canada</b>	<b>Total</b>
Cash and cash equivalents	\$ 2,140,145	\$ 11,651,322	\$ 13,791,467
Other current assets	2,720,609	240,258	2,960,867
Reclamation deposits	350,252	-	350,252
Equipment	308,866	-	308,866
<b>Total Assets</b>	<b>\$ 5,519,872</b>	<b>\$ 11,891,580</b>	<b>\$ 17,411,452</b>
Accounts payable and accrued liabilities	\$ 447,896	\$ 188,162	\$ 636,058
<b>Total liabilities</b>	<b>\$ 447,896</b>	<b>\$ 188,162</b>	<b>\$ 636,058</b>

  

<b>September 30, 2022</b>	<b>Spain</b>	<b>Canada</b>	<b>Total</b>
Cash	\$ 2,924,145	\$ 17,185,362	\$ 20,109,507
Other current assets	1,590,675	278,903	1,869,578
Reclamation deposit	324,209	-	324,209
Equipment	316,729	-	316,729
<b>Total Assets</b>	<b>\$ 5,155,758</b>	<b>\$ 17,464,265</b>	<b>\$ 22,620,023</b>
Accounts payable and accrued liabilities	\$ 1,639,132	\$ 201,247	\$ 1,840,379
<b>Total liabilities</b>	<b>\$ 1,639,132</b>	<b>\$ 201,247</b>	<b>\$ 1,840,379</b>

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## Emerita Resources Corp.

### Notes to the Condensed Interim Consolidated Financial Statements

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#### 13. SEGMENT INFORMATION (continued)

The following tables summarize the loss by geographic segment for the three months ended December 31, 2022 and 2021:

<b>December 31, 2022</b>	<b>Spain</b>	<b>Canada</b>	<b>Total</b>
Other income	\$ -	\$ (41,779)	\$ (41,779)
Project evaluation expenses	4,070,797	-	4,070,797
General and administrative expenses	-	690,401	690,401
Unrelaized loss on investments	-	19,666	19,666
Foreign exchange (gain)	-	(124,344)	(124,344)
<b>Loss</b>	<b>\$ 4,070,797</b>	<b>\$ 543,944</b>	<b>\$ 4,614,741</b>

<b>December 31, 2021</b>	<b>Spain</b>	<b>Canada</b>	<b>Total</b>
Other income	\$ -	\$ (2,119)	\$ (2,119)
Project evaluation expenses	1,525,161	-	1,525,161
General and administrative expenses	-	550,087	550,087
Foreign exchange (gain)	-	50,081	50,081
<b>Loss</b>	<b>\$ 1,525,161</b>	<b>\$ 598,049</b>	<b>\$ 2,123,210</b>

#### 14. COMMITMENTS AND CONTINGENCIES

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

The Company is party to certain management contracts. These contracts contain minimum commitments of approximately \$530,000 (September 30, 2022- \$530,000) and additional contingent payments of up to approximately \$1,890,000 (September 30, 2022- \$1,890,000). 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.