



Consolidated Financial Statements

For the years ended September 30, 2023 and 2022

(Expressed in Canadian Dollars)

Independent Auditor's Report

To the Shareholders of Emerita Resources Corp

Opinion

We have audited the consolidated financial statements of Emerita Resources Corp and its subsidiary (the "Company"), which comprise the consolidated statements of financial position as at September 30, 2023 and 2022, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at September 30, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there were no key audit matters to communicate in our report.

Other information

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

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

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

McGovern Hurley

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

McGovern Hurley LLP

A handwritten signature in black ink that reads "McGovern Hurley LLP". The signature is written in a cursive, flowing style.

**Chartered Professional Accountants
Licensed Public Accountants**

Toronto, Ontario
January 26, 2024

Emerita Resources Corp.
Consolidated Statements of Financial Position
Expressed in Canadian Dollars

As at:	September 30, 2023	September 30, 2022
	Note	\$
ASSETS		
Current		
Cash and cash equivalents	4	9,759,722
Amounts receivable	5	2,463,886
Marketable securities	6	43,265
Prepaid expenses		306,136
Total current assets		12,573,009
Long-term		
Reclamation deposits	9	325,065
Equipment	7	366,950
Total assets		13,265,024
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	13,14	1,576,780
Total liabilities		1,576,780
SHAREHOLDERS' EQUITY		
Common shares	10	57,268,197
Warrant reserve	11	6,567,628
Option reserve	11	23,860,718
Deficit		(76,008,299)
Total shareholders' equity		11,688,244
Total liabilities and shareholders' equity		13,265,024
Nature of operations and going concern	1	
Commitments and contingencies	17	
Subsequent events	18	

Approved on behalf of the Board of Directors on January 26, 2024:

Signed: "Catherine Stretch", Director

Signed: "David Gower", Director

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

Emerita Resources Corp.
Consolidated Statements of Loss and Comprehensive Loss
Expressed in Canadian Dollars

		Year ended September 30,	
	Note	2023 \$	2022 \$
Expenses			
Project evaluation expenses	9	16,466,154	9,596,329
Consulting and management fees	14	2,025,577	1,432,574
Professional fees		765,505	128,471
Shareholder communication and filing fees		274,289	244,577
Promotion expenses		416,976	228,127
Travel expenses		244,827	104,964
Office expenses		141,593	149,004
Share-based compensation	11,14	1,595,508	9,092,406
(Loss) for the year before other items		(21,930,429)	(20,976,452)
Other items			
Interest income		376,559	170,179
Other income		9,975	-
Unrealized (loss) on marketable securities	6	(31,465)	-
Foreign exchange gain		81,544	100,507
(Loss) and comprehensive (loss) for the year		(21,493,816)	(20,705,766)
(Loss) per share			
Basic and diluted		\$ (0.10)	\$ (0.11)
Weighted average number of common shares outstanding			
Basic and diluted		214,952,068	196,045,763

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

Emerita Resources Corp.
Consolidated Statements of Changes in Shareholders' Equity
Expressed in Canadian Dollars

	Note	Number of shares #	Common shares \$	Warrant reserve \$	Option reserve \$	Deficit \$	Shareholders' equity \$
Balance, September 30, 2022		204,042,332	48,725,152	4,837,453	22,271,610	(55,054,571)	20,779,644
Common shares issued, net of issue costs	10	27,500,000	10,196,418	-	-	-	10,196,418
Warrants issued	10	-	(2,519,329)	2,519,329	-	-	-
Warrants exercised	11	3,278,636	865,956	(255,466)	-	-	610,490
Warrants expired unexercised	11	-	-	(533,688)	-	533,688	-
Options expired unexercised	11	-	-	-	(6,400)	6,400	-
Share-based compensation	11	-	-	-	1,595,508	-	1,595,508
Loss and comprehensive loss for the year		-	-	-	-	(21,493,816)	(21,493,816)
Balance, September 30, 2023		234,820,968	57,268,197	6,567,628	23,860,718	(76,008,299)	11,688,244
Balance, September 30, 2021		181,709,537	40,425,848	6,836,167	13,307,624	(34,356,091)	26,213,548
Warrants exercised	11	21,132,795	8,026,884	(1,991,428)	-	-	6,035,456
Warrants expired unexercised	11	-	-	(7,286)	-	7,286	-
Options exercised	11	1,200,000	272,420	-	(128,420)	-	144,000
Share-based compensation	11	-	-	-	9,092,406	-	9,092,406
Loss and comprehensive loss for the year		-	-	-	-	(20,705,766)	(20,705,766)
Balance, September 30, 2022		204,042,332	48,725,152	4,837,453	22,271,610	(55,054,571)	20,779,644

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

Emerita Resources Corp.
Consolidated Statements of Cash Flows
Expressed in Canadian Dollars

		Year ended September 30,	
	Note	2023 \$	2022 \$
Cash (used in)/provided by:			
Operating activities			
(Loss) for the year		(21,493,816)	(20,705,766)
Items not involving cash:			
Unrealized loss on marketable securities	6	31,465	-
Share-based compensation	11	1,595,508	9,092,406
Accrued interest income		(95,610)	-
Marketable securities received as property option payment	6	-	(74,730)
Amortization	7	33,212	14,670
Working capital adjustments:		(1,143,163)	(618,532)
Net cash (used in) operating activities		(21,072,404)	(12,291,952)
Investing activities			
Additions to equipment	7	(83,433)	(323,455)
Decrease/(increase) in reclamation deposits	9	21,456	(231,972)
Net cash (used in) investing activities		(61,977)	(555,427)
Financing activities			
Proceeds from issuance of common shares and warrants	10	11,000,000	-
Cost of issue	10	(803,582)	-
Options exercised	11	-	144,000
Warrants exercised	11	610,490	6,035,456
Net cash provided by financing activities		10,806,908	6,179,456
Effect of foreign exchange on cash and cash equivalents		(22,312)	-
Change in cash and cash equivalents, during the year	4	(10,349,785)	(6,667,923)
Cash and cash equivalents, beginning of year	4	20,109,507	26,777,430
Cash and cash equivalents, end of year		9,759,722	20,109,507

SUPPLEMENTAL INFORMATION

Broker warrants issued	10,11	\$	285,784	\$	-
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The accompanying notes are an integral part of these consolidated financial statements.

Emerita Resources Corp.

Notes to the Consolidated Financial Statements For the years ended September 30, 2023 and 2022

Expressed in Canadian Dollars

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* (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 September 30, 2023, the Company has working capital of \$10,996,229 (September 30, 2022: \$20,138,706), and an accumulated deficit of \$76,008,299 (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 September 30, 2023, the Company has sufficient working capital to support planned operations for the next twelve months.

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

Emerita Resources Corp.

Notes to the Consolidated Financial Statements For the years ended September 30, 2023 and 2022

Expressed in Canadian Dollars

2. BASIS OF PRESENTATION

Statement of compliance

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

Basis of presentation

These consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information, and have been prepared using the historical cost basis, except for financial instruments carried at fair value. Furthermore, these 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 consolidated financial statements include the accounts of the Company and its subsidiary. All material intercompany transactions and balances between the Company and its subsidiary have been eliminated on consolidation. The Company holds a 38.82% (2022 – 50%) interest in Cantabrica del Zinc (“Cantabrica”), along with its joint venture partner, the Aldesa Group. Cantabrica is reported as a joint venture in these consolidated financial statements. Refer to Note 8.

Approval of the consolidated financial statements

These consolidated financial statements of the Company for the years ended September 30, 2023 and 2022 were reviewed, approved and authorized for issue by the Board of Directors of the Company on January 26, 2024.

3. SIGNIFICANT ACCOUNTING POLICIES

Critical judgements and estimation uncertainties

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

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

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.

Emerita Resources Corp.

Notes to the Consolidated Financial Statements For the years ended September 30, 2023 and 2022

Expressed in Canadian Dollars

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Critical judgements and estimation uncertainties (continued)

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 17.

Joint arrangement

The Company has a joint arrangement with the Aldesa Group. The Company has joint control over this arrangement as under the contractual agreement with the Aldesa Group, unanimous consent is required from all parties to the agreements for certain key strategic, operating, investing and financing policies. The Company's joint arrangement is structured as a corporation (JV Company) and provides the Company and the Aldesa Group (parties to the agreements) with rights to net assets of the limited company under the arrangements. Therefore, this arrangement has been classified as a joint venture and has been recorded as an investment in associate. See Note 8.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Critical judgements and estimation uncertainties (continued)

Joint arrangement (continued)

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

Cash and cash equivalents

Cash and cash equivalents consist of highly liquid investments, such as guaranteed investment certificates and deposit accounts with Canadian chartered banks and Spanish banks, redeemable anytime.

Subsidiary

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

Joint arrangement

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

Investment in associate

Associates are entities over which the Company has significant influence, but not control. Significant influence is generally presumed to exist where the Company has between 20 percent and 50 percent of the voting rights, but can also exist where the Company holds less than 20 percent of the voting rights but has the power to be actively involved and influential in policy decisions affecting the entity. The Company accounts for its investment in associate using the equity method. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the associate. Dilution gains and losses arising from changes in interests in investment in associate where significant influence is retained are recognized in the consolidated statements of loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in associate (continued)

At each reporting date, the Company determines whether there is any objective evidence that the investment is impaired or of previously recorded impairment should be reversed. If impairment is determined to exist, the amount of the impairment is recognized in the consolidated statement of loss and comprehensive loss. The amount of impairment is calculated as the difference between the recoverable amount of the investment in associate and its carrying value.

Equipment

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

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

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

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

Financial Assets and Liabilities

Financial Assets

Initial recognition and measurement

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

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

Subsequent measurement - financial assets at amortized cost

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

Emerita Resources Corp.

Notes to the Consolidated Financial Statements For the years ended September 30, 2023 and 2022

Expressed in Canadian Dollars

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Assets and Liabilities (continued)

Financial Assets (continued)

Subsequent measurement - financial assets at FVPL

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

Subsequent measurement – financial assets at FVOCI

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

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

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

Derecognition

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

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

Financial Liabilities

Initial recognition and measurement

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Liabilities (continued)

Subsequent measurement – financial liabilities at amortized cost

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

Derecognition

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

Fair value of financial instruments

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

Exploration and evaluation properties

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

Development assets

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

Common shares

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

Foreign currency translation

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

Emerita Resources Corp.

Notes to the Consolidated Financial Statements For the years ended September 30, 2023 and 2022

Expressed in Canadian Dollars

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to set off the amounts, and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, on a non-discounted basis using tax rates at the end of the reporting period applicable to the period of expected realization. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity settled share-based transactions are set out in the equity reserves note (Note 11).

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

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

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

Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. The diluted loss per share calculation assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted loss per share calculation. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive. All of the Company's outstanding stock options and warrants were anti-dilutive for the years ended September 30, 2023 and 2022.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

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

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

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

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

Rehabilitation provisions

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

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

The Company does not currently have any such significant legal or constructive obligations and therefore, no rehabilitation provision has been recorded as at September 30, 2023 or 2022.

Current accounting changes

During the year ended September 30, 2023, the Company adopted a number of new IFRS standards, interpretations, amendments, and improvement of existing standards. These included IAS 16. The new standards and changes did not have any material impact on the Company's financial statements.

Emerita Resources Corp.

Notes to the Consolidated Financial Statements For the years ended September 30, 2023 and 2022

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Future accounting changes

Certain new standards, interpretations, amendments and improvements to existing standards were issued by IASB or IFRIC that are mandatory for accounting periods beginning on or after October 1, 2023. Updates that are not applicable or are not consequential to the Company have been excluded thereof. The following have not yet been adopted and are being evaluated to determine their impact on the consolidated financial statements.

IAS 1 – In February 2021, the IASB issued ‘Disclosure of Accounting Policies’ with amendments that are intended to help preparers in deciding which accounting policies to disclose in their financial statements. The amendments are effective for year ends beginning on or after January 1, 2024.

IFRS 7 – Financial Instruments: Disclosures (“IFRS 7”) and IAS 7 – Statement of Cash Flows (“IAS 7”) were amended in May 2023 to add disclosure requirements and ‘signposts’ within existing disclosure requirements, which ask entities to provide qualitative and quantitative information about supplier finance arrangements. The amendments are effective for annual reporting periods beginning on or after January 1, 2024. Early adoption is permitted.

IAS 1 – Presentation of Financial Statements (“IAS 1”) was revised in January 2020 and July 2020 to (i) clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the right to defer settlement by at least twelve months and make explicit that only rights in place “at the end of the reporting period” should affect the classification of a liability; (ii) clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and (iii) make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are effective for annual reporting periods beginning on or after January 1, 2024.

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

IAS 12 – In May 2021, the IASB issued ‘Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction’ that clarifies how entities account for deferred tax on transactions such as leases and decommissioning obligations. The amendments are effective for year ends beginning on or after January 1, 2023.

IAS 8 – In February 2021, the IASB issued ‘Definition of Accounting Estimates’ to help entities distinguish between accounting policies and accounting estimates. The amendments are effective for year ends beginning on or after January 1, 2023.

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4. CASH AND CASH EQUIVALENTS

	September 30, 2023 (\$)	September 30, 2022 (\$)
Cash	2,259,722	8,109,507
Guaranteed investment certificate ("GIC"), bearing interest at 3.45% per annum, redeemable anytime and maturing September 26, 2023	-	8,000,000
Guaranteed investment certificate ("GIC"), bearing interest at 3.45% per annum, redeemable anytime and maturing September 26, 2023	-	4,000,000
Guaranteed investment certificate ("GIC"), bearing interest at 4.95% per annum, redeemable anytime and maturing June 28, 2024	7,500,000	-
Cash and cash equivalents	9,759,722	20,109,507

5. AMOUNTS RECEIVABLE

	September 30, 2023 \$	September 30, 2022 \$
Sales taxes receivable- Spain	2,094,382	1,284,506
Sales taxes receivable- Canada	260,484	57,218
Other receivables	109,020	220,926
	2,463,886	1,562,650

6. 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 \$0.055 per share at September 30, 2023 (2022 – \$0.095). The cost of the common shares was \$74,730 (2022 – \$74,730) and the shares are classified in Level 1 of the fair value hierarchy. An unrealized loss of \$31,465 was recorded in the Company's statements of loss for the year ended September 30, 2023 (year ended September 30, 2022: \$nil). A director and officer of Western is also a director and officer of the Company. See Notes 9 and 13.

7. 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	35,123	-	48,310	-	83,433
Cost as at September 30, 2023	\$ 65,392	\$ 115,042	\$ 87,438	\$ 188,956	\$ 456,828

Emerita Resources Corp.
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7. EQUIPMENT (continued)

	Equipment	Furniture	Software	Vehicles	Total
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	(118)	27,518	-	5,812	33,212
Accumulated amortization as at September 30, 2023	\$ 20,428	\$ 45,944	\$ 1,881	\$ 21,625	\$ 89,878
Net book value as at September 30, 2022	\$ 9,723	\$ 96,616	\$ 37,247	\$ 173,143	\$ 316,729
Net book value as at September 30, 2023	\$ 44,964	\$ 69,098	\$ 85,557	\$ 167,331	\$ 366,950

As at September 30, 2023, the carrying value of equipment is comprised of \$nil in Canada (September 30, 2022: \$nil) and \$366,950 in Spain (September 30, 2022: \$316,729).

8. INVESTMENT IN AND ADVANCES TO ASSOCIATE

On October 26, 2017, the Company, along with its Spanish joint venture partner the Aldesa Group (“Aldesa”), were awarded exploration concessions in the Santanilla Syncline (the “Plaza Norte Project”). The Plaza Norte Project is in the Reocin Basin in Cantabria, Spain. In January 2022, the Company determined that the Plaza Norte Project did not have the technical merit to continue to be of strategic interest to the Company and the joint venture partners agreed to dissolve the joint venture after the project is sold or relinquished.

As at September 30, 2023, the Company owned a 38.82% interest (September 30, 2022: 50%) in Cantabrica, a corporation registered in Spain, which is in the process of being disposed of at September 30, 2023. The carrying value of the investment is \$nil for the years ended September 30, 2023 and 2022.

9. EXPLORATION AND EVALUATION EXPENDITURES

	IBW Project	Nuevo Tintillo Project	Sierra Alta Project	Total
Land management fees, taxes and permits	\$ 196,220	\$ 46,027	\$ -	\$ 242,247
Labour	2,292,882	312,666	-	2,605,548
Drilling and geophysics	9,795,607	-	-	9,795,607
Travel, meals and accomodations	-	-	-	-
Legal fees	712,383	178,096	-	890,479
Field supplies	493,880	-	-	493,880
Project overhead costs	2,436,664	1,729	-	2,438,393
Year ended September 30, 2023	\$ 15,927,636	\$ 538,518	\$ -	\$ 16,466,154

Emerita Resources Corp.

Notes to the Consolidated Financial Statements For the years ended September 30, 2023 and 2022

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9. EXPLORATION AND EVALUATION EXPENDITURES (continued)

	IBW Project	Nuevo Tintillo Project	Sierra Alta Project	Total
Land management fees, taxes and permits	\$ 208,941	\$ 8,658	\$ 25,673	\$ 243,272
Labour	1,385,124	394,927	142,174	1,922,225
Drilling and geophysics	4,052,867	266,408	-	4,319,275
Travel, meals and accommodations	28,896	2,064	-	30,960
Legal fees	535,277	101,825	116,372	753,474
Field supplies	1,543,164	171,463	-	1,714,627
Project overhead costs	558,404	125,637	3,185	687,226
Sale of option on properties	-	-	(74,730)	(74,730)
Year ended September 30, 2022	\$ 8,312,673	\$ 1,070,982	\$ 212,674	\$ 9,596,329

As at September 30, 2023, the Company has valid permits for three polymetallic properties and one gold exploration property in Spain. The gold property was issued by the Asturias regulatory authorities in Spain. The polymetallic properties were issued by the Andalusian regulatory authorities in Spain. The Company also currently has a 38.82% interest in a joint venture with the Aldesa which has a property interest in Cantabria.

As at September 30, 2023, the Company has paid reclamation deposits totalling \$325,065, detailed as follows:

Project	2023 Deposits paid (\$)	2022 Deposits paid (\$)
Iberia Belt West	176,940	201,682
Nuevo Tintillo	63,016	58,958
Sierra Alta	51,494	48,179
Infanta Sur	17,165	-
Other	16,450	15,390
	325,065	324,209

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

- The Iberia Belt West Project ("IBW Project") consists of one exploration permit in southwestern Spain. The IBW Project encompasses three polymetallic deposits. From east to west: La Infanta, El Cura, and La Romanera.
- 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 were for a period of 26 months expiring September 12, 2023, and Emerita has the right to apply to have this period extended for a further 36 months. Emerita submitted a renewal extension on July 7, 2023 that is pending and expects to receive approval of the extension in the coming months, as the Company has met or exceeded all the requirements for a permit extension.
- On September 8, 2023, the Company submitted a separate application for an Exploitation License that, when granted, has a 30-year term and can be extended for two subsequent 30-year periods. During the time that the application is being reviewed, the Company's rights under its current exploration permit are extended.

Emerita Resources Corp.

Notes to the Consolidated Financial Statements For the years ended September 30, 2023 and 2022

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9. EXPLORATION AND EVALUATION EXPENDITURES (continued)

b) Nuevo Tintillo

- The Nuevo 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 resolution, extending the exploration permit until June 20, 2025.

c) La Infanta Sur

- The La Infanta Sur Project consists of one exploration permit in Seville province, in the western part of the Iberian Pyrite Belt. The permit was granted on March 9, 2023 and is valid for a period of 3 years, expiring March 9, 2026.

d) 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 October 19, 2022, an additional 2-year extension was granted.
- 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 14.
- 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 6);
 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 (not yet completed).

e) Plaza Norte Property

Emerita currently has a 38.82% interest in a joint venture with Aldesa. The renewal of the exploration permit (Plaza Norte project) is being adjudicated in the High Administrative Court of Cantabria. Therefore, the resolution is pending. The joint venture partners have agreed to dissolve the joint venture after the project is sold or relinquished. Aldesa is currently leading a process to try and sell the project.

10. COMMON SHARES

Authorized

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

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10. COMMON SHARES (continued)

Common Shares Issued

	Number of shares outstanding	Amount (\$)
Balance, September 30, 2021	181,709,537	40,425,848
Warrant exercises (iv)	21,132,795	6,035,456
Valuation allocation of exercise of warrants	-	1,991,428
Option exercises (v)	1,200,000	144,000
Valuation allocation of exercise of options	-	128,420
Balance, September 30, 2022	204,042,332	48,725,152
Private placements (i,ii)	27,500,000	11,000,000
Valuation of warrants (i,ii)	-	(2,519,329)
Cost of issue (i,ii)	-	(803,582)
Warrant exercises (iii)	3,278,636	610,490
Valuation allocation of exercise of warrants	-	255,466
Balance, September 30, 2023	234,820,968	57,268,197

- (i) On June 13, 2023, the Company completed a private placement financing by issuing 20,000,000 units at a price of \$0.40 per unit for gross proceeds of \$8,000,000. 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 \$0.60 for a period of 36 months. The grant date fair value of the warrants issued was estimated at \$1,829,341 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; share price of \$0.31; expected volatility of 115.6%; risk-free interest rate of 4.17% and expected life of 3 years.

In connection with the offering, the Company paid \$560,000 in finders fees and issued 1,400,000 non-transferrable finder warrants. Each finder warrant is exercisable into one common share of the Company at a price of \$0.40 per warrant until June 13, 2026. The grant date fair value of the finder warrants issued was estimated at \$285,784 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; share price of \$0.40; expected volatility of 115.6%; risk-free interest rate of 4.17% and expected life of 3 years. The Company also incurred a total of \$201,758 in legal and other fees in connection with the offering.

- (ii) On June 16, 2023, the Company completed a private placement financing by issuing 7,500,000 units at a price of \$0.40 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 \$0.60 for a period of 36 months. The grant date fair value of the warrants issued was estimated at \$683,898 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; share price of \$0.31; expected volatility of 115.2%; risk-free interest rate of 4.14% and expected life of 3 years. Directors and officers subscribed for 2,650,000 units, generating gross proceeds of \$1,060,000. In connection with the offering, the Company paid \$24,600 in finders fees and \$17,225 in other fees in connection with the offering.

Emerita Resources Corp.

Notes to the Consolidated Financial Statements For the years ended September 30, 2023 and 2022

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10. COMMON SHARES (continued)

Common Shares Issued (continued)

- (iii) During the year ended September 30, 2023, 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.
- (iv) 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.
- (v) 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.

11. EQUITY RESERVES

Warrants

The changes in warrants issued during the years ended September 30, 2023 and 2022 are as follows:

	Number of warrants	Weighted average exercise price	Value of warrants
Balance, September 30, 2021	33,314,534	\$ 0.58	\$ 6,836,167
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)
Balance, September 30, 2022	12,081,736	\$ 1.11	\$ 4,837,453
Exercised, November 2022	(1,435,000)	0.16	(102,799)
Exercised, December 2022	(1,843,636)	0.21	(152,667)
Granted, June 2023	15,150,000	0.58	2,519,329
Expired, July 2023	(955,950)	1.10	(533,688)
Balance, September 30, 2023	22,997,150	\$ 0.89	\$ 6,567,628

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11. EQUITY RESERVES (continued)

Warrants (continued)

During the year ended September 30, 2023, 955,950 of the Company's warrants expired unexercised and \$533,688 was transferred to deficit (year ended September 30, 2022: 100,003 warrants expired and \$7,286 transferred to deficit).

The following summarizes the warrants outstanding as of September 30, 2023:

Number outstanding #	Number exercisable #	Grant date	Expiry date	Share price \$	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-Jan-24	\$0.84	\$1.50	4,048,299	147%	0.44%	2.00	0%
10,000,000	10,000,000	13-Jun-23	13-Jun-26	\$0.31	\$0.60	1,593,112	116%	4.17%	3.00	0%
1,400,000	1,400,000	13-Jun-23	13-Jun-26	\$0.31	\$0.40	285,784	116%	4.17%	3.00	0%
3,750,000	3,750,000	16-Jun-23	16-Jun-26	\$0.31	\$0.60	640,433	115%	4.14%	3.00	0%
22,997,150	22,997,150					6,567,628				

The weighted-average remaining contractual life of the warrants as of September 30, 2023 is 1.88 years (September 30, 2022: 0.64 years).

On May 15, 2023, the Company received approval from the TSXV to extend the expiry date of 7,847,150 common share purchase warrants to January 15, 2024, that were previously set to expire on July 15, 2023. Each warrant is exercisable for one common share of the Company for an exercise price of \$1.50. The extension did not result in a change to the valuation of the warrants.

Share-based payments

The changes in stock options issued during the years ended September 30, 2023 and 2022 are as follows:

	Number of options	Weighted average exercise price	Estimated grant date fair value
Balance, September 30, 2021	16,275,000	\$ 0.92	\$ 13,307,624
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)
Balance, September 30, 2022	18,845,000	\$ 1.33	\$ 22,271,610
Granted, January 2023	350,000	0.78	241,682
Expired, July 2023	(25,000)	0.27	(6,400)
Granted, August 2023	3,975,000	0.40	1,353,826
Balance, September 30, 2023	23,145,000	\$ 1.17	\$ 23,860,718

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11. EQUITY RESERVES (continued)

Share-based payments (continued)

On January 16, 2023, the Company granted a total of 350,000 stock options to an officer of the Company pursuant to its stock option plan. The options vested immediately and may be exercised at a price of \$0.78 per option for a period of 5 years from the date of grant. The fair value of the stock options was estimated at \$241,682 using the Black-Scholes pricing model, with the following weighted average assumptions: expected dividend yield 0%, stock price \$0.79, expected annual volatility 133%, risk-free interest rate 2.95% and expected average life 5 years.

On August 8, 2023, the Company granted a total of 3,975,000 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 \$0.40 per option for a period of 5 years from the date of grant. The fair value of the stock options was estimated at \$1,353,826 using the Black-Scholes pricing model, with the following weighted average assumptions: expected dividend yield 0%, stock price \$0.39, expected annual volatility 133%, risk-free interest rate 3.83% and expected average life 5 years. Directors and officers were granted 2,700,000 options, with a fair value of \$919,580.

During the year ended September 30, 2023, 25,000 options expired and \$6,400 was transferred to deficit.

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 \$8,878,781 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. Directors and officers of the Company exercised 900,000 options, generating proceeds of \$90,000. The Company's weighted-average share price at the time of option exercise was as follows:

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

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11. EQUITY RESERVES (continued)

Share-based payments (continued)

Options outstanding as of September 30, 2023 are as follows:

Number outstanding #	Number exercisable #	Grant date	Expiry date	Share price \$	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	\$0.10	182,835	167%	1.54%	5.00	0%
500,000	500,000	27-May-20	27-May-25	\$0.06	\$0.05	24,450	140%	0.40%	5.00	0%
4,800,000	4,800,000	05-Feb-21	05-Feb-26	\$0.18	\$0.18	770,401	143%	0.48%	5.00	0%
300,000	300,000	14-Apr-21	14-Apr-26	\$0.23	\$0.25	63,870	174%	0.95%	5.00	0%
200,000	200,000	25-Jun-21	25-Jun-26	\$1.20	\$1.10	228,623	171%	1.00%	5.00	0%
7,200,000	7,200,000	29-Jul-21	29-Jul-26	\$1.86	\$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	\$2.75	8,878,781	137%	1.71%	5.00	0%
100,000	100,000	14-Apr-22	14-Apr-27	\$2.43	\$2.43	213,624	136%	2.61%	5.00	0%
350,000	350,000	16-Jan-23	16-Jan-28	\$0.79	\$0.78	241,682	133%	2.95%	5.00	0%
3,975,000	3,975,000	08-Aug-23	08-Aug-28	\$0.39	\$0.40	1,353,826	133%	3.83%	5.00	0%
23,145,000	23,145,000					23,860,718				

The weighted average remaining contractual life of the options as at September 30, 2023 is 3.01 years (September 30, 2022: 3.59 years).

12. 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, warrant reserve and option reserve.

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

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

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no significant changes in the Company's approach to capital management during the years ended September 30, 2023 and 2022.

The Company and its subsidiary 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.

13. 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 September 30, 2023, 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 September 30, 2023, the Company has recorded \$2,354,866 in sales tax receivable from the Canadian and value added taxes receivable from the 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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13. FINANCIAL INSTRUMENTS (continued)

(b) *Currency risk (continued)*

As at September 30, 2023 and 2022, the Company had the following financial instruments denominated in foreign currency (expressed in Canadian dollars):

September 30, 2023				
	Euro		US dollars	
Cash	\$	1,135,197	\$	12,599
Amounts receivable		2,094,382		-
Accounts payable and accrued liabilities		(1,016,316)		(53,244)
	\$	2,213,263	\$	(40,645)

September 30, 2022				
	Euro		US dollars	
Cash	\$	2,924,145	\$	6,660
Amounts receivable		1,284,506		-
Accounts payable and accrued liabilities		(1,639,132)		(16,011)
	\$	2,569,519	\$	(9,351)

A 10% strengthening (weakening) of the Canadian dollar against the Euro would decrease (increase) net loss by approximately \$221,300 (2022: \$257,000).

A 10% strengthening (weakening) of the Canadian dollar against the US dollar would decrease (increase) net loss by approximately \$(4,000) (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 September 30, 2023, the Company had a cash and cash equivalents balance of \$9,759,722 (September 30, 2022: \$20,109,507) to settle current liabilities of \$1,576,780 (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.

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14. RELATED PARTY TRANSACTIONS

As at September 30, 2023, an amount of \$48,927, 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 September 30, 2023, an amount of \$13,410, included in amounts receivable, was owed to the Company by a director 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 6 and 9.

Compensation of key management personnel of the Company

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company. During the years ended September 30, 2023 and 2022, the remuneration of directors and other key management personnel are as follows:

	Year ended September 30,	
	2023	2022
Management fees	\$ 1,505,237	\$ 1,003,446
Share-based compensation	1,161,262	7,741,717
Total	\$ 2,666,499	\$ 8,745,163

In connection with the June 16, 2023 private placement (see Note 10(ii)), directors and officers of the Company subscribed for 2,650,000 units of the offering, for gross proceeds of \$1,060,000.

See also Notes 11 and 17.

15. 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 September 30, 2023 and 2022:

September 30, 2023	Spain	Canada	Total
Cash and cash equivalents	\$ 1,135,197	\$ 8,624,525	\$ 9,759,722
Other current assets	2,214,038	599,249	2,813,287
Reclamation deposits	325,065	-	325,065
Equipment	366,950	-	366,950
Total Assets	\$ 4,041,250	\$ 9,223,774	\$ 13,265,024
Accounts payable and accrued liabilities	\$ 1,016,316	\$ 560,464	\$ 1,576,780
Total liabilities	\$ 1,016,316	\$ 560,464	\$ 1,576,780

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15. SEGMENT INFORMATION (continued)

September 30, 2022	Spain	Canada	Total
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
Total Assets	\$ 5,155,758	\$ 17,464,265	\$ 22,620,023
Accounts payable and accrued liabilities	\$ 1,639,132	\$ 201,247	\$ 1,840,379
Total liabilities	\$ 1,639,132	\$ 201,247	\$ 1,840,379

The following tables summarize the loss by geographic segment for the years ended September 30, 2023 and 2022:

September 30, 2023	Spain	Canada	Total
Other income	\$ (9,975)	\$ (376,559)	\$ (386,534)
Project evaluation expenses	16,466,154	-	16,466,154
General and administrative expenses	-	5,464,275	5,464,275
Unrealized loss on investments	-	31,465	31,465
Foreign exchange (gain)	-	(81,544)	(81,544)
Loss	\$ 16,456,179	\$ 5,037,637	\$ 21,493,816

September 30, 2022	Spain	Canada	Total
Other income	\$ -	\$ (170,179)	\$ (170,179)
Project evaluation expenses	9,596,329	-	9,596,329
General and administrative expenses	-	11,380,123	11,380,123
Foreign exchange (gain)	-	(100,507)	(100,507)
Loss	\$ 9,596,329	\$ 11,109,437	\$ 20,705,766

16. INCOME TAXES

Provision for income taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2022 – 26.5%) to the effective tax rate is as follows:

	2023	2022
	\$	\$
(Loss) before income taxes	(21,493,816)	(20,705,766)
Expected income tax recovery based on statutory rate	(5,696,000)	(5,487,000)
Adjustment to expected income tax recovery:		
Share based compensation	423,000	2,409,000
Expenses not deductible for tax purposes and other	(299,000)	(556,000)
Change in foreign exchange rates	952,000	(1,285,000)
Other	(178,000)	-
Difference in tax rates	-	(329,000)
Change in benefit of tax assets not recognized	4,798,000	5,248,000
Deferred income tax provision (recovery)	-	-

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16. INCOME TAXES (continued)

Deferred income taxes

Deferred taxes are a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities.

	2023	2022
	\$	\$
<u>Temporary Differences</u>		
Non-capital loss carry-forwards	51,645,000	35,375,000
Share issue costs	1,723,000	1,326,000
Other temporary differences	299,000	299,000
Total	53,667,000	37,000,000

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can use the benefits.

Non-capital losses of \$19,999,000 in Canada expire between 2033 and 2043. Non-capital losses of €22,335,000 (\$31,646,000) in Spain expire between 2030 and 2041.

17. 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 \$719,500 (2022: \$530,000) and additional contingent payments of up to approximately \$2,500,000 (2022: \$1,890,000). As a triggering event has not taken place, the contingent payments have not been reflected in these 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 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.

18. SUBSEQUENT EVENTS

Subsequent to September 30, 2023, 220,000 of the Company's stock options and 7,847,150 of the Company's warrants expired unexercised.