# Consolidated Financial Statements

**For the years ended September 30, 2024 and 2023**

**(Expressed in Canadian Dollars)**

McGovern Hurley

Audit. Tax. Advisory.

**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, 2024 and 2023, 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 material accounting policy information.

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, 2024 and 2023, 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.

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**Other information**

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis and the information, other than the consolidated financial statements and our auditor's report thereon, included in the Annual Report.

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.

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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.

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 Regina Kwong.

**McGovern Hurley LLP**

McGovern Hurley LLP

**Chartered Professional Accountants**
**Licensed Public Accountants**

Toronto, Ontario
January 24, 2025

# Emerita Resources Corp.

**Consolidated Statements of Financial Position**

*Expressed in Canadian Dollars*

| As at: | Note | **September 30, 2024 $** | September 30, 2023 $ |
|---|---|---|---|
| **ASSETS** | | | |
| Current | | | |
| Cash and cash equivalents | 4 | **10,943,786** | 9,759,722 |
| Amounts receivable | 5 | **962,330** | 2,463,886 |
| Marketable securities | 6 | **19,666** | 43,265 |
| Prepaid expenses | 7 | **771,016** | 306,136 |
| **Total current assets** | | **12,696,798** | 12,573,009 |
| Long-term | | | |
| Reclamation deposits | 10 | **330,164** | 325,065 |
| Equipment | 8 | **328,187** | 366,950 |
| **Total assets** | | **13,355,149** | 13,265,024 |
| **LIABILITIES** | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | 15,16 | **2,342,424** | 1,576,780 |
| **Current liabilities** | | **2,342,424** | 1,576,780 |
| Long term loan payable | 11 | **5,744,644** | - |
| **Total liabilities** | | **8,087,068** | 1,576,780 |
| **SHAREHOLDERS' EQUITY** | | | |
| Common shares | 12 | **60,751,238** | 57,268,197 |
| Warrant reserve | 13 | **5,567,188** | 6,567,628 |
| Option reserve | 13 | **23,382,793** | 23,860,718 |
| Deficit | | **(84,433,138)** | (76,008,299) |
| **Total shareholders' equity** | | **5,268,081** | 11,688,244 |
| **Total liabilities and shareholders' equity** | | **13,355,149** | 13,265,024 |

| | |
|---|---|
| Nature of operations and going concern | 1 |
| Commitments and contingencies | 19 |
| Subsequent events | 20 |

Approved on behalf of the Board of Directors on January 24, 2025:

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*

| | Note | Year ended September 30, 2024 $ | 2023 $ |
|---|---|---|---|
| **Expenses** | | | |
| Project evaluation expenses | 10 | **9,381,886** | 16,466,154 |
| Consulting and management fees | 16 | **2,916,121** | 2,025,577 |
| Professional fees | | **335,216** | 765,505 |
| Shareholder communication and filing fees | | **147,578** | 274,289 |
| Promotion expenses | | **413,451** | 416,976 |
| Travel expenses | | **185,614** | 244,827 |
| Office expenses | | **137,520** | 141,593 |
| Share-based compensation | 13 | **-** | 1,595,508 |
| **Loss before other items** | | **(13,517,386)** | (21,930,429) |
| **Other items** | | | |
| Accretion expense | 11 | **(18,562)** | - |
| Interest expense | 11 | **(160,776)** | - |
| Interest income | | **139,508** | 376,559 |
| Loss on disposal of equipment | 8 | **(8,505)** | - |
| Other gains | | **-** | 9,975 |
| Unrealized loss on marketable securities | 6 | **(23,599)** | (31,465) |
| Unrealized foreign exchange gain | | **71,260** | 81,544 |
| **Total other items** | | **(674)** | 436,613 |
| **Net loss before tax** | | **(13,518,060)** | (21,493,816) |
| Deferred income tax recovery | 18 | 589,293 | - |
| **Net loss and comprehensive loss for the year** | | **(12,928,767)** | (21,493,816) |
| **(Loss) per share** | | | |
| Basic and diluted | | **$ (0.05)** | $ (0.10) |
| **Weighted average number of common shares outstanding** | | | |
| Basic and diluted | | **240,004,793** | 214,952,068 |

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, 2023** | | **234,820,968** | **57,268,197** | **6,567,628** | **23,860,718** | **(76,008,299)** | **11,688,244** |
| Common shares issued, net of issue costs | 12 | 12,500,000 | 4,961,288 | - | - | - | 4,961,288 |
| Warrants issued | 12,13 | - | (1,546,689) | 1,546,689 | - | - | - |
| Loan warrants issued, net of issue costs and tax | 11,13 | - | - | 1,508,316 | | | 1,508,316 |
| Warrants exercised | 13 | 35,000 | 21,145 | (7,145) | - | - | 14,000 |
| Warrants expired unexercised | 13 | - | - | (4,048,300) | - | 4,048,300 | - |
| Options exercised | 13 | 250,000 | 47,297 | - | (22,297) | - | 25,000 |
| Options expired unexercised | 13 | - | - | - | (455,628) | 455,628 | - |
| Loss and comprehensive loss for the year | | - | - | - | - | (12,928,767) | (12,928,767) |
| **Balance, September 30, 2024** | | **247,605,968** | **60,751,238** | **5,567,188** | **23,382,793** | **(84,433,138)** | **5,268,081** |
| **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 | 12 | 27,500,000 | 10,196,418 | - | - | - | 10,196,418 |
| Warrants issued | 12 | - | (2,519,329) | 2,519,329 | - | - | - |
| Warrants exercised | 13 | 3,278,636 | 865,956 | (255,466) | - | - | 610,490 |
| Warrants expired unexercised | 13 | - | - | (533,688) | - | 533,688 | - |
| Options expired unexercised | 13 | - | - | - | (6,400) | 6,400 | - |
| Share-based compensation | 13 | - | - | - | 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** |

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

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

| | Note | Year ended September 30, 2024 $ | 2023 $ |
|---|---|---|---|
| **Cash (used in)/provided by:** | | | |
| **Operating activities** | | | |
| Net loss for the year | | **(12,928,767)** | (21,493,816) |
| Items not involving cash: | | | |
| Deferred income tax recovery | 11 | **(589,293)** | - |
| Accretion expense | 11 | **18,562** | - |
| Unrealized foreign exchange | | **(94,015)** | - |
| Interest expense | 11 | **160,776** | - |
| Unrealized loss on marketable securities | 6 | **23,599** | 31,465 |
| Loss on disposal of equipment | 8 | **8,505** | - |
| Share-based compensation | 13 | **-** | 1,595,508 |
| Accrued interest income | | **-** | (95,610) |
| Amortization | 8 | **162,185** | 33,212 |
| Working capital adjustments: | | **1,802,320** | (1,143,163) |
| **Net cash (used in) operating activities** | | **(11,436,128)** | (21,072,404) |
| **Investing activities** | | | |
| Proceeds from sale of equipment | 8 | **42,335** | - |
| Additions to equipment | 8 | **(184,429)** | (83,433) |
| Refund of reclamation deposits | 10 | **12,445** | 21,456 |
| **Net cash (used in) investing activities** | | **(129,649)** | (61,977) |
| **Financing activities** | | | |
| Proceeds from issuance of common shares | 12 | **5,000,000** | 11,000,000 |
| Cost of issuance of common shares | 12 | **(38,712)** | (803,582) |
| Proceeds from issuance of long term loan | 11 | **8,190,600** | - |
| Cost of issuance of long term loan and loan warrants | 11 | **(466,458)** | - |
| Options exercised | 13 | **25,000** | - |
| Warrants exercised | 13 | **14,000** | 610,490 |
| **Net cash provided by financing activities** | | **12,724,430** | 10,806,908 |
| **Effect of foreign exchange on cash and cash equivalents** | | **25,411** | (22,312) |
| **Change in cash and cash equivalents, during the year** | 4 | **1,184,064** | (10,349,785) |
| **Cash and cash equivalents, beginning of year** | 4 | **9,759,722** | 20,109,507 |
| **Cash and cash equivalents, end of year** | | **10,943,786** | 9,759,722 |

**SUPPLEMENTAL INFORMATION**

| | Note | 2024 | 2023 |
|---|---|---|---|
| Broker warrants issued | 12 | **$ -** | $ 285,784 |
| Long term financing fees allocated to warrants | 11,13 | **$ 126,139** | $ - |

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

## 1. NATURE OF OPERATIONS AND GOING CONCERN

Emerita Resources Corp. (the "Company", or "Emerita") was incorporated on October 30, 2009 as 0865140 BC Ltd. pursuant to the *Business Corporations Act* (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, 2024, the Company has a history of operating losses and expects to incur additional losses in the development of its properties, and an accumulated deficit of $84,433,138 (September 30, 2023: $76,008,299). 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, 2024, the Company believes it 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.

## 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% (2023 – 38.82%) 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 9.

***Approval of the consolidated financial statements***

These consolidated financial statements of the Company for the years ended September 30, 2024 and 2023 were reviewed, approved and authorized for issue by the Board of Directors of the Company on January 24, 2025.

## 3. MATERIAL 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.

## 3. MATERIAL 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 19.

*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 9.

## 3. MATERIAL 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.

*Estimated useful lives and depreciation of equipment and right-of-use assets*

Depreciation and amortization of property and equipment and right-of-use assets are dependent upon estimates of useful lives and when the asset is available for use, which are determined through the exercise of judgment and are dependent upon estimates that take into account factors such as economic and market conditions, frequency of use, anticipated changes in laws and technological improvements.

*Impairment of equipment and right-of-use assets*

The assessment of any impairment on property and equipment and right-of-use assets is dependent upon estimates of recoverable amounts. As the recoverable amount is the higher of fair value less costs of disposal ["FVLCD"] and value in use ["VIU"], management must consider factors such as economic and market conditions, estimated future cash flows, discount rates and asset-specific risks.

*Discount rates and lease terms used in the application of IFRS 16, Leases*

The determination of the Company's lease liabilities and right-of-use assets depends on certain assumptions, which include the selection of the discount rate. The discount rate is set by reference to the Company's incremental borrowing rate. Management determines the incremental borrowing rate for each leased asset by taking into account the Company's credit standing, the guarantee, the term and the value of the underlying leased asset, as well as the economic environment in which the leased asset is operated. Incremental borrowing rates can be changed due to macroeconomic changes in the environment. To determine the appropriate lease term, management considers all relevant facts and circumstances that create an economic incentive for the Company to exercise a renewal option or not to exercise a termination option. The periods covered by the renewal options are included in the lease term only if management is reasonably certain it will renew the lease. Changes in the assumptions used may have a significant effect on the consolidated financial statements.

*Valuation of long term loan*

The Company makes estimates and assumptions relating to the fair value measurement and disclosure of its long term debt. Judgments include considerations of a market rate of interest estimated using the Company's credit risk, economic environment, term of the loan, and the interest rate charged to comparable companies. Changes in the assumptions used may have a significant effect on the Company's consolidated financial statements.

***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.

## 3. MATERIAL ACCOUNTING POLICIES (continued)

***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.

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.

## 3. MATERIAL ACCOUNTING POLICIES (continued)

***Equipment (continued)***

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 |

***Leases***

IFRS 16 states that upon lease commencement, a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the right-of-use asset is measured at cost less accumulated depreciation and accumulated impairment.

The lease liability is initially measured at the present value of lease payments to be paid subsequent to the commencement date of the lease, discounted either at the interest rate implicit in the lease or the Company's incremental borrowing rate. The lease payments measured in the initial lease liability include payments for an optional renewal period, if any, if the Company is reasonably certain that it will exercise a renewal extension option. The liability is measured at amortized cost using the effective interest method and will be remeasured when there is a change in either the future lease payments or assessment of whether an extension or other option will be exercised. The lease liability is subsequently adjusted for lease payments and interest on the obligation. Interest expense on the lease obligation is included in the consolidated statement of loss and comprehensive loss.

The Company has elected not to recognize right-of-use assets and lease liabilities for leases with a lease term of less than 12 months and low value assets and recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term, as permitted by IFRS 16.

***Compound financial instrument***

Upon initial recognition, the Company determines whether the compound financial instrument consists of liability and equity components. For compound financial instruments containing an equity component that allows for a fixed number of shares at the option of the holder, the liability component is initially recorded at fair value and subsequently at amortized cost using the effective interest rate method. The liability component is accreted to the face value using the effective interest rate method over the term of the loan. The equity component is recognized as the difference between the fair value of the instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amount.

## 3. MATERIAL ACCOUNTING POLICIES (continued)

***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.

**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.

## 3. MATERIAL ACCOUNTING POLICIES (continued)

### Financial Assets and Liabilities (continued)

### Financial Assets (continued)

**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 and long term loan payable, which are measured at amortized cost. All financial liabilities are recognized initially at fair value and in the case of long term loan payable, net of directly attributable transaction costs.

**Subsequent measurement – financial liabilities at amortized cost**

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

**3. MATERIAL ACCOUNTING POLICIES (continued)**

***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.

***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.

## 3. MATERIAL ACCOUNTING POLICIES (continued)

***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 13).

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, 2024 and 2023.

***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.

## 3. MATERIAL ACCOUNTING POLICIES (continued)

### *Impairment of non-financial assets (continued)*

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, 2024 or 2023.

### *Current accounting changes*

During the year ended September 30, 2024, the Company adopted a number of new IFRS standards, interpretations, amendments, and improvement of existing standards. These included IFRS 8 and IAS 12. The new standards and changes did not have any material impact on the Company's consolidated financial statements.

### *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, 2024. 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.

*Expressed in Canadian Dollars (unless otherwise stated)*

## 3. MATERIAL ACCOUNTING POLICIES (continued)

***Future accounting changes (continued)***

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 counter party of cash, equity instruments, other assets or services. The amendments are effective for annual reporting periods 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 2024 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, 2026. Early adoption is permitted.

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

IFRS 18 – In April 2024, the IASB issued IFRS 18 *Presentation and Disclosure in Financial Statements* to improve reporting of financial performance. The new standards replaces IAS 1 - *Presentation of Financial Statements*. IFRS 18 introduces new categories and required subtotals in the statement of profit and loss and also requires disclosure of management-defined performance measures. It also includes new requirements for the location, aggregation and disaggregation of financial information. The standard is effective for annual reporting periods beginning on or after January 1, 2027, including interim financial statements. Retrospective application is required, and early adoption is permitted.

## 4. CASH AND CASH EQUIVALENTS

| | September 30, 2024 ($) | September 30, 2023 ($) |
|---|---|---|
| Cash | 10,943,786 | 2,259,722 |
| 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** | **10,943,786** | **9,759,722** |

## 5. AMOUNTS RECEIVABLE

| | September 30, 2024 $ | September 30, 2023 $ |
|---|---|---|
| Value added tax receivable- Spain | 858,872 | 2,094,382 |
| Sales taxes receivable- Canada | 77,220 | 260,484 |
| Other receivables | 26,238 | 109,020 |
| | **962,330** | **2,463,886** |

*Expressed in Canadian Dollars (unless otherwise stated)*

## 6. MARKETABLE SECURITIES

The Company's marketable securities consist of 786,632 common shares (September 30, 2023: 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 $0.025 per share at September 30, 2024 (2023 – $0.055). The cost of the common shares was $74,730 (2023 – $74,730) and the shares are classified in Level 1 of the fair value hierarchy. An unrealized loss of $23,599 was recorded in the Company's consolidated statements of loss for the year ended September 30, 2024 (year ended September 30, 2023: $31,465). A director and officer of Western is also a director and officer of the Company, and a director of Western is an officer of the Company. See Notes 10 and 16.

## 7. PREPAID EXPENSES

| | September 30, 2024<br>$ | September 30, 2023<br>$ |
|---|---|---|
| Prepaid exploration expenses- Spain | 140,934 | 23,493 |
| Prepaid deposits- Spain | 478,253 | 96,183 |
| Prepaid promotional expenses | 110,773 | 145,780 |
| Prepaid corporate overheads | 41,056 | 40,680 |
| | **771,016** | **306,136** |

## 8. EQUIPMENT

| | Equipment | Furniture | Software | Vehicles | Total |
|---|---|---|---|---|---|
| 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 |
| Additions, 2024 | - | 14,209 | - | 170,220 | 184,429 |
| Disposals, 2024 | - | - | - | (82,632) | (82,632) |
| **Cost as at September 30, 2024** | **$ 65,392** | **$ 129,251** | **$ 87,438** | **$ 276,544** | **$ 558,625** |
| | | | | | |
| 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 |
| Disposals, 2024 | - | - | - | (21,625) | $ (21,625) |
| Charge for the period | 7,234 | 35,832 | 39,332 | 79,787 | 162,185 |
| **Accumulated amortization as at September 30, 2024** | **$ 27,662** | **$ 81,776** | **$ 41,213** | **$ 79,787** | **$ 230,438** |
| | | | | | |
| **Net book value as at September 30, 2023** | **$ 44,964** | **$ 69,098** | **$ 85,557** | **$ 167,331** | **$ 366,950** |
| **Net book value as at September 30, 2024** | **$ 37,730** | **$ 47,475** | **$ 46,225** | **$ 196,757** | **$ 328,187** |

## 9. 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.

*Expressed in Canadian Dollars (unless otherwise stated)*

## 9. INVESTMENT IN AND ADVANCES TO ASSOCIATE (continued)

As at September 30, 2024, the Company owned a 38.82% interest (September 30, 2023: 38.82%) in Cantabrica, a corporation registered in Spain, which is in the process of being disposed of at September 30, 2024. The carrying value of the investment is $nil for the years ended September 30, 2024 and 2023.

## 10. EXPLORATION AND EVALUATION EXPENDITURES

| | IBW Project | Nuevo Tintillo Project | Total |
|---|---|---|---|
| Land management fees, taxes and permits | $ 196,220 | $ 46,027 | $ 242,247 |
| Labour | 2,292,882 | 312,666 | 2,605,548 |
| Drilling | 9,309,905 | - | 9,309,905 |
| Geophysics | 485,702 | - | 485,702 |
| Professional fees (permitting, legal, third-party consulting) | 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** |

| | IBW Project | Nuevo Tintillo Project | Total |
|---|---|---|---|
| Land management fees, taxes and permits | $ 525,579 | $ 96,595 | $ 622,174 |
| Labour | 1,104,190 | 688,994 | 1,793,184 |
| Drilling | 3,110,937 | 1,829,588 | 4,940,525 |
| Geophysics | 111,045 | 120,221 | 231,266 |
| Professional fees (permitting, legal, third-party consulting) | 903,694 | 197,955 | 1,101,649 |
| Field supplies | 203,755 | 103,837 | 307,592 |
| Project overhead costs | 219,769 | 165,727 | 385,496 |
| **Year ended September 30, 2024** | **$ 6,178,969** | **$ 3,202,917** | **$ 9,381,886** |

As at September 30, 2024, 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 Group which has a property interest in Cantabria. This property interest is in the process of being divested.

*Expressed in Canadian Dollars (unless otherwise stated)*

## 10. EXPLORATION AND EVALUATION EXPENDITURES (continued)

As at September 30, 2024, the Company has paid reclamation deposits totalling $330,164, (September 30, 2023: $325,065), detailed as follows:

| Project | September 30, 2024 Deposits paid ($) | September 30, 2023 Deposits paid ($) |
|---|---|---|
| Iberia Belt West | 183,173 | 176,940 |
| Nuevo Tintillo | 57,289 | 63,016 |
| Sierra Alta | 54,274 | 51,494 |
| Infanta Sur | 18,091 | 17,165 |
| Other | 17,337 | 16,450 |
| | **330,164** | **325,065** |

### a) Iberia Belt West Property

- 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. The Company has submitted all the required supporting documentation to support the application. During the time that the application is being reviewed, the Company's rights under its current exploration permit are extended.

- On March 9, 2023, the Company was granted an additional exploration permit for certain claims located to the south of the La Infanta deposit. This exploration permit allows the Company to begin exploration work immediately and does not require further environmental or municipal approvals for work to proceed. The Infanta Sur exploration permit can be renewed for subsequent additional periods.

### b) Nuevo Tintillo

- The Nuevo Tintillo Project consists of one exploration permit in Seville province, in the Eastern part of the Iberian Pyrite Belt.

- The application for the exploration permit was submitted on September 12, 2014. On June 20, 2022, the Company received a final granted resolution for three-year exploration permits that expires June 20, 2025. Applications for extension and for additional land packages are in process.

## 10. EXPLORATION AND EVALUATION EXPENDITURES (continued)

### 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 Company was the winning bidder of the tender on July 8, 2015. On July 21, 2017, the Company received the final granted resolution. 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, 2023, an additional 2-year extension was granted until October 19, 2025.

- 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, and a director of the Western is an officer of the Company. Refer to Notes 6 and 16.

- 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).

### d) 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 sell the project. See Note 9.

## 11. LONG TERM LOAN

On August 14, 2024, the Company entered into a credit agreement with Nebari Natural Resources Credit Fund LL, LP (the "Lender") pursuant to which the Company may borrow up to a maximum aggregate principal amount of USD$15,000,000 from the Lender to be issued in three tranches of (i) USD$6,000,000 ("Tranche 1"); (ii) USD$4,500,000 ("Tranche 2"); and (iii) USD$4,500,000 ("Tranche 3" and, together with Tranche 1 and Tranche 2, the "Tranches" and each a "Tranche") (the "Loan"). The Lender is at arms-length to the Company.

The Company will issue on the closing of each Tranche a number of common share purchase warrants (the "Loan Warrants") equal to:

a) **Tranche 1:** the Canadian equivalent of USD$6,000,000 divided by a Canadian dollar amount equal to a 25% premium to the lower of: (i) a 20-day VWAP of the Company's share price on the date which the Company issues its request for the advance in respect of such Tranche; and (ii) the Market Price (as such term is defined under the policies of the TSXV) as of the date which the Company issues its request for the advance in respect of such Tranche;

**11. LONG TERM LOAN (continued)**

b) **Tranche 2:** the Canadian equivalent of USD$1,687,500 divided by a Canadian dollar amount equal to a 25% premium to the lower of: (i) a 20-day VWAP of the Company's share price on the date which the Company issues its request for the advance in respect of such Tranche; and (ii) the Market Price as of the date which the Company issues its request for the advance in respect of such Tranche;

c) **Tranche 3:** the Canadian equivalent of USD$1,687,500 divided by a Canadian dollar amount equal to a 25% premium to the lower of: (i) a 20-day VWAP of the Company's share price on the date which the Company issues its request for the advance in respect of such Tranche; and (ii) the Market Price as of the date which the Company issues its request for the advance in respect of such Tranche;

Each Loan Warrant will entitle the holder to purchase one common share of the Company at an exercise price equal to a 25% premium to the lower of: (i) the 20-day VWAP of the Company's share price on the date which the Company issues its request for the advance in respect of the Tranche under which such Loan Warrant is being issued; and (ii) the Market Price (as such term is defined under the policies of the TSXV) as of the date which the Company issues its request for the advance in respect of the Tranche under which such Loan Warrant is being issued until August 16, 2028.

Upon the closing of Tranche 1, the Loan will be guaranteed by the Company's wholly owned subsidiary, Emerita Resources Espana SL (the "Guarantor"). The Guarantor and the Company will subsequently enter into the security agreements described below with the Lender while also initially securing the Loan by way of (i) a pledge of 100% of all shares of the Guarantor (the "Share Pledge") and (ii) a registered, perfected first priority security interest in, lien on and pledge of all intercorporate debt between the Company, the Guarantor and all affiliates thereof.

Upon receipt of an exploitation concession for the IBW Project, the Share Pledge will be cancelled (unless receipt follows the closing of Tranche 2), and the following will be granted, registered and fully perfected:

a) A first lien senior security on all future tangible and non-tangible assets and working capital assets of the IBW Project; and

b) A first priority lien senior mortgage over and security interest in, lien on and pledge of (i) all current and future tangible and non-tangible assets and working capital assets relating to or used in connection with the IBW Project; and (ii) all real property and mining claims, mining concessions, permits (including the exploration permit for the IBW Project), usufructs and surface leases in which it now has and hereafter acquires rights relating to or associated with the IBW Project

Upon the closing of Tranche 2, the Share Pledge (if it has previously been cancelled in accordance with the above) will be restored.

A drawdown of Tranche 2 and 3 are subject to the Company satisfying the applicable condition precedents, including the satisfactory completion of various assessments and reports for the Company's mineral properties held in Spain.

Interest will accrue on the advanced outstanding principal amount on the loan based on a floating rate per annum equal to the sum of: (the three-month term SOFR (Secured Overhead Financing Rate) reference rate administered by CME Group Benchmark Administration Limited (i) the "Term SOFR"), as determined on the first date of each calendar month; and (ii) 11.5% per annum, provided that if the Term SOFR is less than 4.0%, it shall be deemed to be 4.0%. The maturity date of the Loan is August 16, 2028. The Loan may be repaid prior to maturity at any time subject to the additional payment of a make-whole threshold. Interest will accrue from the closing date of Tranche 1 for a period of 18 months and will be capitalized and added to the principal amount of the loan. The principal amount is due on maturity and interest is due monthly after the conclusion of the capitalization period, February 16, 2026.

*Expressed in Canadian Dollars (unless otherwise stated)*

## 11. LONG TERM LOAN (continued)

On August 16, 2024, Tranche 1 was closed and the Company received proceeds of $8,190,600 (USD$6,000,000). In connection with the receipt of funding, the Company issued 9,963,636 non-transferable Loan Warrants to a nominated affiliate of the Lender, each entitling the holder to acquire one common share of the Company at an exercise price of $0.825 per share until August 16, 2028.

As at September 30, 2024, the Company incurred $160,776 (USD$119,102) in interest on the Loan, and the outstanding principal balance owed on the Loan was $8,270,176 (USD$6,119,102). In connection with the issuance of the Loan, the Company paid $466,459 in issuance costs. These costs have been allocated to the long term loan and the Loan Warrants on the basis of their relative carrying values at the time of issuance. $340,320 have been offset against the carrying value of the loan and are being amortized to net loss using the effective interest method, resulting in an effective interest rate of 26.7%. $126,139 have been offset against the value allocated to Loan Warrants. See Note 13.

A reconciliation of the proceeds received with the long term loan payable balance at September 30, 2024 is as follows:

| | | |
|---|---|---|
| Principal amount | $ | 8,190,600 |
| Transaction costs | | (340,320) |
| Allocation to warrants | | (2,223,747) |
| Interest expense | | 160,776 |
| Accretion expense | | 18,562 |
| Unrealized foreign exchange gain | | (61,227) |
| | **$** | **5,744,644** |

## 12. COMMON SHARES

### Authorized

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

### Common Shares Issued

| | Number of shares outstanding | Amount ($) |
|---|---|---|
| **Balance, September 30, 2022** | **204,042,332** | **48,725,152** |
| Private placements (iv,v) | 27,500,000 | 11,000,000 |
| Valuation of warrants (iv,v) | - | (2,519,329) |
| Cost of issue (iv,v) | - | (803,582) |
| Warrant exercises (vi) | 3,278,636 | 610,490 |
| Valuation allocation of exercise of warrants | - | 255,466 |
| **Balance, September 30, 2023** | **234,820,968** | **57,268,197** |
| Private placements (i) | 12,500,000 | 5,000,000 |
| Valuation of warrants (i) | - | (1,546,689) |
| Cost of issue (i) | - | (38,712) |
| Warrant exercises (ii) | 35,000 | 14,000 |
| Valuation allocation of exercise of warrants | - | 7,145 |
| Option exercises (iii) | 250,000 | 25,000 |
| Valuation allocation of exercise of options | - | 22,297 |
| **Balance, September 30, 2024** | **247,605,968** | **60,751,238** |

## 12. COMMON SHARES (continued)

### Common Shares Issued (continued)

(i) On May 2, 2024, the Company completed a private placement financing by issuing 12,500,000 units at a price of $0.40 per unit for gross proceeds of $5,000,000. Each unit is comprised of one common share of the Company and one common share purchase warrant, entitling 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 $1,546,689 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; share price of $0.28; expected volatility of 94.5%; risk-free interest rate of 4.12% and expected life of 3 years. In connection with the offering, the Company incurred a total of $38,712 in issuance costs.

(ii) During the year ended September 30, 2024, 35,000 of the Company's warrants were exercised at a weighted-average price of $0.40 per common share, generating gross proceeds of $14,000.

(iii) During the year ended September 30, 2024, 250,000 of the Company's stock options were exercised by an officer of the Company at a weighted-average price of $0.10 per common share, generating gross proceeds of $25,000.

(iv) 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-transferable 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.

(v) 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.

(vi) 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.

*Expressed in Canadian Dollars (unless otherwise stated)*

## 13. EQUITY RESERVES

### Warrants

The changes in warrants issued during the years ended September 30, 2024 and 2023 are as follows:

| | Number of warrants | Weighted average exercise price | Value of warrants |
|---|---|---|---|
| **Balance, September 30, 2022** | **12,081,736** | **$ 1.11** | **$ 4,837,453** |
| Exercised | (3,278,636) | 0.19 | (255,466) |
| Granted | 15,150,000 | 0.58 | 2,519,329 |
| Expired | (955,950) | 1.10 | (533,688) |
| **Balance, September 30, 2023** | **22,997,150** | **$ 0.89** | **$ 6,567,628** |
| Exercised | (35,000) | 0.40 | (7,145) |
| Granted | 22,463,636 | 0.70 | 3,055,005 |
| Expired | (7,847,150) | 1.50 | (4,048,300) |
| **Balance, September 30, 2024** | **37,578,636** | **$ 0.65** | **$ 5,567,188** |

On August 16, 2024, the Company issued 9,963,636 warrants in relation to the long term loan (see Note 11). The grant date fair value of the warrants issued was estimated at $2,223,747 using the residual approach. In connection with the issuance of the loan warrants, $126,139 of issuance costs were offset against the grant date fair value of the warrants. The Company recognized a deferred income tax recovery of $589,293 which was also offset against the grant date fair value of the warrants.

During the year ended September 30, 2024, 7,847,150 of the Company's warrants expired unexercised and $4,048,300 was transferred to deficit (year ended September 30, 2023: 955,950 warrants expired and $533,688 transferred to deficit).

The following summarizes the warrants outstanding as of September 30, 2024:

| 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 |
|---|---|---|---|---|---|---|---|---|---|---|
| 10,000,000 | 10,000,000 | 13-Jun-23 | 13-Jun-26 | $0.31 | $0.60 | 1,593,111 | 116% | 4.17% | 3.00 | 0% |
| 1,365,000 | 1,365,000 | 13-Jun-23 | 13-Jun-26 | $0.31 | $0.40 | 278,639 | 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% |
| 12,500,000 | 12,500,000 | 02-May-24 | 02-May-27 | $0.28 | $0.60 | 1,546,689 | 94% | 4.12% | 3.00 | 0% |
| 9,963,636 | 9,963,636 | 16-Aug-24 | 16-Aug-28 | $0.66 | $0.825 | 1,508,316 | | | | |
| **37,578,636** | **37,578,636** | | | | | **5,567,188** | | | | |

The weighted-average remaining contractual life of the warrants as of September 30, 2024 is 2.57 years (September 30, 2023: 1.88 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.

*Expressed in Canadian Dollars (unless otherwise stated)*

## 13. EQUITY RESERVES (continued)

### Share-based payments

The changes in stock options during the years ended September 30, 2024 and 2023 are as follows:

| | Number of options | Weighted average exercise price | Estimated grant date fair value |
|---|---|---|---|
| **Balance, September 30, 2022** | **18,845,000** | **$ 1.33** | **$ 22,271,610** |
| Granted | 4,325,000 | 0.43 | 1,595,508 |
| Expired | (25,000) | 0.27 | (6,400) |
| **Balance, September 30, 2023** | **23,145,000** | **$ 1.17** | **$ 23,860,718** |
| Expired | (220,000) | 2.35 | (455,628) |
| Exercised | (250,000) | 0.10 | (22,297) |
| **Balance, September 30, 2024** | **22,675,000** | **$ 1.17** | **$ 23,382,793** |

During the year ended September 30, 2024, 250,000 of the Company's options were exercised by an officer of the Company at a weighted-average exercise price of $0.10, generating proceeds of $25,000. 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, 2023** | - | - |
| **Year ended September 30, 2024** | 250,000 | $0.60 |

During the year ended September 30, 2024, 220,000 options expired and $455,628 was transferred to deficit (year ended September 30, 2023: 25,000 options expired and $6,400 transferred to deficit).

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.

*Expressed in Canadian Dollars (unless otherwise stated)*

## 13. EQUITY RESERVES (continued)

### Share-based payments (continued)

Options outstanding as of September 30, 2024 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 |
|---|---|---|---|---|---|---|---|---|---|---|
| 1,800,000 | 1,800,000 | 07-Nov-19 | 07-Nov-24 | $0.10 | $0.10 | 160,538 | 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% |
| 7,100,000 | 7,100,000 | 29-Jul-21 | 29-Jul-26 | $1.86 | $1.86 | 11,737,312 | 142% | 0.81% | 5.00 | 0% |
| 3,550,000 | 3,550,000 | 04-Feb-22 | 04-Feb-27 | $2.75 | $2.75 | 8,588,467 | 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% |
| **22,675,000** | **22,675,000** | | | | | **23,382,793** | | | | |

The weighted average remaining contractual life of the options as at September 30, 2024 is 2.02 years (September 30, 2023: 3.01 years).

## 14. CAPITAL MANAGEMENT

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

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

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

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no significant changes in the Company's approach to capital management during the years ended September 30, 2024 and 2023.

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. As at September 30, 2024, the Company believes it is compliant with the policies of the TSXV.

## 15. 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, amounts receivable, marketable securities, accounts payable and accrued liabilities, and long term loan payable. With the exception of long term loan payable, the carrying values of these financial instruments reported in the consolidated statement of financial position approximate their respective fair values due to the relatively short-term nature of these instruments. As at September 30, 2024, the Company's financial instruments that are carried at fair value, being marketable securities, are classified as Level 1 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 consolidated financial statements.

*a) Credit risk (continued)*

a. *Trade credit risk*
As at September 30, 2024, the Company has recorded $936,092 in sales tax receivable and value added taxes receivable from the Canadian and Spanish tax authorities (September 30, 2023: $2,354,866). 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.

## 15. FINANCIAL INSTRUMENTS (continued)

As at September 30, 2024 and 2023, the Company had the following financial instruments denominated in foreign currency (expressed in Canadian dollars):

**September 30, 2024**

| | | Euro | | US dollars |
|---|---|---|---|---|
| Cash | $ | 2,117,711 | $ | 8,752,334 |
| Amounts receivable | | 858,872 | | - |
| Accounts payable and accrued liabilities | | (885,887) | | (105,607) |
| Long term loan payable | | - | | (5,744,644) |
| | $ | 2,090,696 | $ | 2,902,083 |

**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) |

A 10% strengthening (weakening) of the Canadian dollar against the Euro would decrease (increase) net loss by approximately $233,000 (2023: $221,300).

A 10% strengthening (weakening) of the Canadian dollar against the US dollar would decrease (increase) net loss by approximately $256,000 (2023: ($4,000)).

*(c) Liquidity risk*

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. At September 30, 2024, the Company had a cash and cash equivalents balance of $10,943,786 (September 30, 2023: $9,759,722) to settle current liabilities of $2,342,424 (September 30, 2023: $1,576,780). 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.

*Expressed in Canadian Dollars (unless otherwise stated)*

## 16. RELATED PARTY TRANSACTIONS

As at September 30, 2024, an amount of $37,908, included in accounts payable and accrued liabilities, was owed to directors and officers of the Company (September 30, 2023: $48,927). The amounts outstanding on fees are unsecured, non-interest bearing, with no fixed terms of repayment. These amounts were paid in full subsequent to September 30, 2024.

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, and a director of Western is an officer of the Company. See Notes 6 and 10.

In September 2024, bonuses totaling $850,000 were awarded to directors and officers of the Company and included in accounts payable and accrued liabilities. These amounts were paid in full subsequent to September 30, 2024.

*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, 2024 and 2023, the remuneration of directors and other key management personnel are as follows:

| | | Year ended September 30, | | |
|---|---|---|---|---|
| | | **2024** | | **2023** |
| Management fees | $ | 2,100,000 | $ | 1,505,237 |
| Share-based compensation | | - | | 1,161,262 |
| **Total** | **$** | **2,100,000** | **$** | **2,666,499** |

In connection with the June 16, 2023 private placement (see Note 12(v)), 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 13 and 19.

*Expressed in Canadian Dollars (unless otherwise stated)*

## 17. 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, 2024 and 2023:

| September 30, 2024 | Spain | Canada | Total |
|---|---|---|---|
| Cash and cash equivalents | $ 2,117,711 | $ 8,826,075 | $ 10,943,786 |
| Other current assets | 1,478,060 | 274,952 | 1,753,012 |
| Reclamation deposits | 330,164 | - | 330,164 |
| Equipment | 400,171 | - | 400,171 |
| **Total assets** | **$ 4,326,106** | **$ 9,101,027** | **$ 13,427,133** |
| | | | |
| Accounts payable and accrued liabilities | $ 885,887 | $ 1,456,537 | $ 2,342,424 |
| Loan payable | - | 5,744,644 | 5,744,644 |
| **Total liabilities** | **$ 885,887** | **$ 7,201,181** | **$ 8,087,068** |

| September 30, 2023 | Spain | Canada | Total |
|---|---|---|---|
| Cash | $ 1,135,197 | $ 8,624,525 | $ 9,759,722 |
| Other current assets | 2,214,038 | 599,249 | 2,813,287 |
| Reclamation deposit | 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** |

The following tables summarize the loss by geographic segment for the years ended September 30, 2024 and 2023:

| September 30, 2024 | Spain | Canada | Total |
|---|---|---|---|
| Other income | $ - | $ (139,508) | $ (139,508) |
| Project evaluation expenses | 9,381,886 | - | 9,381,886 |
| General and administrative expenses | - | 4,296,276 | 4,296,276 |
| Unrealized loss on investments | - | 23,599 | 23,599 |
| Accretion expense | - | 18,562 | 18,562 |
| Loss on sale of property, plant and equipment | 8,505 | - | 8,505 |
| Foreign exchange (gain) | - | (143,244) | (143,244) |
| Deferred tax recovery | - | (589,293) | (589,293) |
| **Loss** | **$ 9,390,391** | **$ 3,466,392** | **$ 12,856,783** |

*Expressed in Canadian Dollars (unless otherwise stated)*

## 17. SEGMENT INFORMATION (continued)

| 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 | - | 3,868,767 | 3,868,767 |
| Share-based compensation | - | 1,595,508 | 1,595,508 |
| 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** |

## 18. INCOME TAXES

### *Provision for income taxes*

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2023 – 26.5%) to the effective tax rate is as follows:

| | 2024<br>$ | 2023<br>$ |
|---|---|---|
| (Loss) before income taxes | (13,518,060) | (21,493,816) |
| Expected income tax recovery based on statutory rate | (3,755,000) | (5,696,000) |
| Adjustment to expected income tax recovery: | | |
| Financing costs incurred recorded as equity | (33,000) | - |
| Expenses not deductible for tax purposes and other | 21,000 | (299,000) |
| Share based compensation | - | 423,000 |
| Change in foreign exchange rates | - | 952,000 |
| Other | (556,000) | (178,000) |
| Change in benefit of tax assets not recognized | 3,734,000 | 4,798,000 |
| Deferred income tax recovery | (589,000) | - |

### *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.

*Expressed in Canadian Dollars (unless otherwise stated)*

## 18. INCOME TAXES (continued)

| | 2024<br>$ | 2023<br>$ |
|---|---|---|
| Recognized deferred tax assets and liabilities | | |
| Non-capital loss carry-forwards | 692,000 | - |
| Long-term loan | (692,000) | - |
| Deferred income tax liability | - | - |

Unrecognized deferred tax assets

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

| | 2024<br>$ | 2023<br>$ |
|---|---|---|
| Non-capital loss carry-forwards (Canada) | 21,457,000 | 19,999,000 |
| Non-capital loss carry-forwards (Spain) | 43,058,000 | 31,646,000 |
| Financing fees | 1,473,000 | - |
| Mineral property costs | 158,000 | - |
| Share issue costs | - | 1,723,000 |
| Other temporary differences | 140,000 | 299,000 |
| Total | 66,286,000 | 53,667,000 |

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 $21,457,000 in Canada expire between 2033 and 2044. Non-capital losses of €28,840,000 ($43,058,000) in Spain expire between 2030 and 2042.

## 19. 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 a party to certain management contracts. These contracts contain minimum commitments of approximately $719,500 (2023: $719,500), all due within one year, and additional contingent payments of up to approximately $2,500,000 (2023: $2,500,000). 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.

## 20. SUBSEQUENT EVENTS

Subsequent to September 30, 2024, 2,075,000 of the Company’s stock options and 3,420,000 of the Company’s warrants were exercised, generating gross proceeds of $2,260,500. Directors and officers of the Company exercised 1,800,000 stock options, generating proceeds of $180,000.