

**EMERITA RESOURCES CORP.
NOTICE OF ANNUAL AND SPECIAL MEETING OF COMMON
SHAREHOLDERS**

You are invited to the 2020 annual and special meeting (the “**Meeting**”) of the common shareholders of Emerita Resources Corp. (the “**Corporation**”).

When: Monday, August 24, 2020 at 10:00 a.m. (Toronto time)

Where: 65 Queen Street West, Suite 815, Toronto, Ontario, M5H 2M5

The purpose of the Meeting is as follows:

1. **Financial Statements.** Receive and consider:
 - a. the audited financial statements as at and for the fiscal year ended September 30, 2019, together with the report of the auditor thereon; and
 - b. the unaudited condensed interim financial statements for the three and six months ended March 31, 2020.
2. **Auditor Appointment.** Appoint McGovern Hurley LLP as auditors of the Corporation and authorize the directors to fix their remuneration.
3. **Stock Option Plan.** To consider and re-approve the Corporation’s rolling stock option plan.
4. **Elect Directors.** Consider and elect the directors for the ensuing year.
5. **Other Business.** Consider other business as may properly come before the Meeting or any postponement(s) or adjournment(s) thereof.

This notice is accompanied by a form of proxy, a management information circular (the “**Circular**”), the audited financial statements of the Corporation as at and for the fiscal year ended September 30, 2019 and related management’s discussion and analysis, and the unaudited condensed interim financial statements for the three and six months ended March 31, 2020 and related management’s discussion and analysis.

You may vote your common shares by proxy if you are unable to attend the Meeting. Please review the enclosed Circular and date, sign and return the enclosed form of proxy to the Corporation’s transfer agent by 10:00 a.m. (Toronto time) on August 20, 2020.

The directors of the Corporation have fixed the close of business on July 13, 2020 as the record date, being the date for the determination of the registered holders entitled to notice and to vote at the Meeting and any adjournments(s) thereof.

DATED at Toronto, Ontario as of the 24th day of July, 2020

BY ORDER OF THE BOARD OF DIRECTORS

(signed) “David Gower”

Chief Executive Officer

2020 MANAGEMENT INFORMATION CIRCULAR EMERITA RESOURCES CORP.

ABOUT THE SHAREHOLDER MEETING

July 24, 2020

Solicitation of Proxies

You have received this management information circular (the “**Circular**”) because you owned common shares (“**Common Shares**”) of Emerita Resources Corp. (“**Emerita**” or the “**Corporation**”) as of July 13, 2020. You are therefore entitled to vote at the 2020 annual and special meeting of common shareholders of Emerita (the “**Meeting**”) to be held at 10:00 a.m. (Toronto time) on Monday, August 24, 2020, and any postponement(s) or adjournment(s) thereof.

The board of directors of the Corporation (the “**Board**”) has set the record date for the Meeting at July 13, 2020 (the “**Record Date**”).

Management is soliciting your proxy for the Meeting. The Board has fixed 10:00 a.m. (Toronto time) on August 20, 2020, or 48 hours (excluding Saturdays, Sundays or holidays) before any postponements or adjournment(s) of the Meeting, as the time by which proxies to be acted upon at the Meeting shall be deposited with the Corporation’s transfer agent. It is expected that the solicitation will be primarily by mail but proxies may also be solicited through other means by employees, consultants and agents of the Corporation. The cost of solicitation by management will be borne by the Corporation.

AS A RESULT OF THE GOVERNMENTAL PROHIBITION AGAINST GROUP GATHERINGS AND TO HELP REDUCE THE SPREAD OF COVID-19, ONLY REGISTERED SHAREHOLDERS AND/OR THEIR APPOINTEES MAY ATTEND THE MEETING IN PERSON. IN ADDITION, WE STRONGLY ENCOURAGE ALL SHAREHOLDERS TO NOT ATTEND THE MEETING IN PERSON AND TO VOTE THEIR SHARES BY COMPLETING AND RETURNING THE ENCLOSED FORM OF PROXY, AS DESCRIBED BELOW.

Shareholders and/or their appointees may participate in the Meeting by way of conference call, however, votes cannot be cast on the conference call. Please see the dial-in details below:

Toll-free dial-in number (U.S. and Canada): 1-866-261-6767
International dial-in number: 4168502050
Access (Participant) Code: 7188804#

These materials are being sent to both registered and non-registered owners of the Common Shares. The Corporation or its agent has obtained information regarding non-registered owners in accordance with the applicable securities regulatory requirements from the intermediary holding on your behalf. By choosing to send these materials to you directly, the Corporation (and not the intermediary holding on your behalf) has assumed responsibility for (i) delivering these materials to you, and (ii) executing your proper voting instructions. Please return your voting instructions as specified in the request for voting instructions.

The Corporation shall make a list of all persons who are registered holders of Common Shares (the “**Shareholders**”) on the Record Date and the number of Common Shares registered in the name of each person on that date. Each Shareholder is entitled to one vote on each matter to be acted on at the Meeting for each Common Share registered in his or her name as it appears on the list.

Unless otherwise stated, the information contained in this Circular is as of the date hereof. All dollar amount references in this Circular, unless otherwise indicated, are expressed in Canadian dollars.

Voting

Appointment and Revocation of Proxies

The persons named in the enclosed form of proxy are officers and/or directors of the Corporation. **You may appoint some other person or entity to represent you at the Meeting** by inserting such person's name in the blank space provided in that form of proxy or by completing another proper form of proxy and, in either case, depositing the completed proxy at the office of the transfer agent of the Corporation indicated on the enclosed envelope not later than the times set out above.

In addition to revocation in any other manner permitted by law, a Shareholder may revoke a proxy given pursuant to this solicitation by depositing an instrument in writing (including another proxy bearing a later date) executed by the Shareholder or by an attorney authorized in writing at 65 Queen Street West, Suite 815, Toronto, Ontario, M5H 2M5 at any time up to and including the last business day preceding the day of the Meeting.

Voting of Proxies

Registered Shareholders

You can vote in person or vote by proxy. Voting by proxy is the easiest way to vote because you can appoint anyone to be your proxyholder to attend the Meeting and vote your Common Shares according to your instructions. This person does not need to be a Shareholder. The executive officers or directors of the Corporation named in the proxy form can act as your proxyholder and vote your Common Shares according to your instructions.

If you appoint the Emerita proxyholders and do not indicate your voting instructions, they will vote your shares:

- for the appointment of the auditors;
- for the re-approval of the Stock Option Plan (as defined below); and
- for the appointment of the nominated directors.

If you want to appoint someone else as your proxyholder, print that person's name in the blank space provided in the proxy form (or complete another proxy form) and send the form to the Corporation's transfer agent. Make sure this person is aware that you appointed them as your proxyholder and that they must attend the Meeting to vote on your behalf and according to your instructions. If you do not indicate your voting instructions, your proxyholder can vote as he or she sees fit.

At the time of printing this Circular, management is not aware of any amendments, variations or other matters to come before the Meeting. If other matters are properly brought before the Meeting, your proxyholder can vote as he or she sees fit.

The transfer agent must receive the completed proxy form by 10:00 a.m. (Toronto time) on August 20, 2020, or 48 hours (excluding Saturdays, Sundays or holidays) before any postponement(s) or adjournment(s) of the Meeting.

Non-Registered Shareholders

Non-Registered Shareholders are those holders who beneficially own Common Shares of the Corporation registered in the name of an intermediary (the "**Non-Registered Shareholders**") with whom the Non-Registered Shareholder deals in respect of the Common Shares, such as, banks, trust companies, securities dealers (all, an "**Intermediary**") or in the name of a clearing agency such as CDS&Co. Securities laws require the Corporation to send the Meeting materials to the Intermediaries and clearing agencies so they can distribute them to our Non-Registered Shareholders. These materials include the notice of the Meeting, the Circular, a proxy or voting instruction form, a consent form to receive supplemental mailings, a copy of the Corporation's 2019 annual report if the Non-Registered Shareholder requested a copy and documents by electronic delivery.

Intermediaries and clearing agencies must forward the Meeting materials to Non-Registered Shareholders unless the Non-Registered Shareholder has waived the right to receive them. If you are a Non-Registered Shareholder and have not waived the right to receive the materials, your package includes either a voting instruction form (not signed by your intermediary), or a proxy form (signed by your Intermediary).

Either form instructs your Intermediary (the registered Shareholder) to vote your Common Shares according to your instructions. Be sure to send back your completed form as soon as possible to ensure your Intermediary carries out your voting instructions.

Voting Securities and Principal Holders

The authorized capital of the Corporation consists of an unlimited number of Common Shares. As of the Record Date, the Corporation has 77,614,165 Common Shares issued and outstanding. To the knowledge of the directors and officers of the Corporation, as at the Record Date, there are no shareholders who beneficially own, directly or indirectly, or exercise control or direction over, voting securities carrying more than 10% of the voting rights attached to the voting securities of the Corporation.

BUSINESS OF THE MEETING

Other than in respect of the election of directors and re-approval of the Stock Option Plan and as otherwise disclosed herein, no informed person (as such term is defined under applicable securities laws) of the Corporation or Nominee (and each of their associates or affiliates) has had any direct or indirect material interest in any transaction involving the Corporation since October 1, 2019 or in any proposed transaction which has materially affected or would materially affect the Corporation or its subsidiaries.

Financial Statements

The (i) financial statements for the financial year ended September 30, 2019, together with the auditor's report thereon, and (ii) the unaudited condensed interim consolidated financial statements for the three and six months ended March 31, 2020, will be presented to Shareholders for review at the Meeting and were mailed to Shareholders with the Notice of Meeting and this Circular. No vote by the Shareholders is required with respect to this matter.

Appointment of Auditors

Unless authority to do so is withheld, the persons named in the accompanying proxy intend to vote for the appointment of McGovern Hurley LLP as auditors of the Corporation until the close of the next annual meeting of Shareholders and to authorize the directors to fix their remuneration. McGovern Hurley LLP have been the auditors of the Corporation since January 8, 2013.

The following table sets out the audit and audit-related fees billed by the Corporation's auditors for the years ended September 30, 2018 and 2019.

Service	2018	2019
Audit Fees	\$32,060	\$41,600
Audit-Related Fees	Nil	Nil
Tax Fees	\$4,000	\$4,000
Other Fees	\$7,650	Nil
Total:	\$43,710	\$45,600

For additional information about the Corporation's auditors and the Audit Committee (as defined below), please refer to the section "Audit Committee".

Stock Option Plan

The Corporation's stock option plan (the "**Stock Option Plan**") is designed to advance the interests of the Corporation by encouraging employees, officers and consultants to have equity participation in the Corporation through the acquisition of Common Shares. Accordingly, the Corporation has adopted the Stock Option Plan, which was re-approved by the shareholders of the Corporation at its last annual and special meeting of Shareholders held on July 31, 2019. A copy of the Stock Option Plan is attached at Schedule "A" hereto. The following is a summary of the terms of the proposed Plan, which is qualified in its entirety by the provisions of the Stock Option Plan.

The Stock Option Plan is a "rolling" stock option plan under the policies of the TSX Venture Exchange as under the Stock Option Plan the Corporation is authorized to grant stock options of

up to 10% of its issued and outstanding Common Shares at the time of the stock option grant, from time to time, with or without vesting provisions. As of the Record Date, there is an aggregate of 5,020,000 stock options outstanding under the Corporation's existing stock option plan, which represents approximately 6.47% of the total issued and outstanding Common Shares.

Directors, officers, employees and certain consultants are eligible to receive stock options under the Stock Option Plan. Upon the termination of an optionholder's engagement with the Corporation, the stock options held by such optionholder will be cancelled 90 days following such optionholder's termination from the Corporation. Stock options granted under the Stock Option Plan are not assignable.

The terms and conditions of each option granted under the Stock Option Plan will be determined by the Board upon the recommendation of the Compensation Committee (as defined below). Stock options will be priced in the context of the market and in compliance with applicable securities laws and TSX Venture Exchange guidelines. Vesting terms will be determined at the discretion of the Board on the recommendation of the Compensation Committee. The Board shall also determine the term of stock options granted under the Stock Option Plan, provided that no stock option shall be outstanding for a period greater than five years.

The Board believes that except for certain material changes to the Stock Option Plan it is important that the Board has the flexibility to make changes to the Stock Option Plan without shareholder approval, include appropriate adjustments to outstanding options in the event of certain corporate transactions, the addition of provisions requiring forfeiture of options in certain circumstances, specifying practices with respect to applicable tax withholdings and changes to enhance clarity or correct ambiguous provisions.

The Stock Option Plan does not provide for the transformation of stock options granted under the Stock Option Plan into stock appreciation right involving the issuance of securities from the treasury of the Corporation.

The Corporation will not provide financial assistance to any optionholder to facilitate the exercise of options under the Stock Option Plan.

The Corporation is required to obtain the approval of its Shareholders of any stock option plan that is a "rolling" plan yearly at the Corporation's annual meeting of Shareholders. Accordingly, at the Meeting, Shareholders will be asked to approve the following ordinary resolution approving the Stock Option Plan:

"BE IT RESOLVED THAT:

1. the Stock Option Plan of Emerita Resources Corp. (the "Corporation"), as described in the management information circular of the Corporation dated July 24, 2020, is hereby approved; and
2. any director or officer of the Corporation is hereby authorized to execute (whether under the corporate seal of the Corporation or otherwise) and deliver all such documents and to do all such other acts and things as such director or officer may determine to be necessary or advisable to give effect to the true intent of these resolutions."

The Board recommends that the Shareholders vote in favour of the re-approval of the Corporation's Stock Option Plan. PROXIES RECEIVED IN FAVOUR OF MANAGEMENT WILL BE VOTED FOR THE RE-APPROVAL OF THE STOCK OPTION PLAN UNLESS A SHAREHOLDER HAS SPECIFIED IN THE PROXY THAT THE COMMON SHARES ARE TO BE VOTED AGAINST SUCH ORDINARY RESOLUTION.

Election of Directors

The Board currently consists of five directors. The Corporation has nominated five persons (the “**Nominees**”) for election as directors of the Corporation, who will hold office until the next annual meeting of the Corporation or until his or her successor is elected or appointed. At the Meeting, Shareholders will be asked to elect these Nominees as directors of the Corporation. **The persons named in the enclosed form of proxy intend to vote for the election of the Nominees. Management does not contemplate that any of the Nominees will be unable to serve as a director.**

As the Corporation has adopted a Majority Voting Policy, the process for voting for election of each director will be by individual voting and not by slate. The Shareholders can vote for or withhold from voting on the election of each director on an individual basis. See “About the Board” for more information on our Majority Voting Policy.

Director Profiles

Each of the five nominated directors is profiled below, including his or her background and experience, committee memberships, share ownership and other public company directorships. All of the director nominees were elected as directors by the Shareholders at the last annual meeting.

DAVID GOWER
ONTARIO, CANADA

DIRECTOR SINCE JANUARY 8, 2013

Mr. Gower, the CEO of the Corporation, has over 25 years of experience in exploration with Falconbridge Limited where he was a member of the senior operating team responsible for mining projects. Mr. Gower has led exploration teams responsible for brownfield discoveries at Raglan and Sudbury, Matagami, Falcondo (Dominican Republic), and greenfield discoveries at Araguaia in Brazil, Kabanga in Tanzania and significant increases in known resources at Kabanga in Tanzania and El Pilar in Mexico. He is presently the President of Brazil Potash Corp., which has discovered the largest and highest grade potash deposit found to date in Brazil.

Shareholdings: 1,646,200 Common Shares

Other Public Company Boards: Alamos Gold Inc.

Committee Memberships: Audit Committee

MARILIA BENTO
ONTARIO, CANADA

DIRECTOR SINCE OCTOBER 31, 2012

Ms. Bento has over 20 years of experience in the financial industry and Canadian capital markets with diverse investment industry experience. Some of Ms. Bento’s previous positions include Vice President of Corporate Development for the South American Resource Group at Forbes & Manhattan, a merchant bank focused on building resource companies and Managing Director and Head of Equity Capital Markets Canada at Macquarie Capital Markets Canada Ltd. (formerly Orion Securities Inc.). Ms. Bento was on the board of directors of Orion Securities Inc. and has been a board member of several junior mining companies.

Shareholdings: 424,000 Common Shares

Other Public Company Boards: None

Committee Memberships: Audit Committee and Compensation Committee

JOAQUIN MERINO
SEVILLE, SPAIN

DIRECTOR SINCE JANUARY 8, 2013

Mr. Merino, the President of the Corporation, is a professional geologist with 19 years of experience in the mining industry. He was previously Vice President, Exploration for Primero Mining Corp. and before that Vice President Exploration for Apogee Minerals Ltd. From 2003 to 2006, Mr. Merino was the exploration manager for Placer Dome at Porgera Mine and prior to that chief mine geologist at Hecla Mining's La Camorra mine. Mr. Merino has extensive international experience in South America, Europe and Asia-Pacific regions. Mr. Merino holds a Masters Degree in Sciences from Queens University (Ontario), and a Bachelors Degree in Geology from the University of Seville (Spain). Mr. Merino is a member of the Association of Professional Geoscientists of Ontario.

Shareholdings: 1,060,000 Common Shares

Other Public Company Boards: None

Committee Memberships: None

CATHERINE STRETCH
ONTARIO, CANADA

DIRECTOR SINCE DECEMBER 9, 2013

Catherine Stretch is Vice President, Corporate Affairs at Troilus Gold Corp., a TSX listed advanced stage exploration and early-development company focused on the mineral expansion and potential mine re-start of the former gold and copper Troilus mine in Quebec. From 2015 to 2019, Catherine was Chief Commercial Officer of Agua Resources Limited, an ASX and TSX Venture listed company developing phosphate and copper assets in Brazil. She has 20 years of experience in capital markets with a particular focus on the formation, development and operation of resource companies and was previously a partner and the Chief Operating Officer of a Canadian investment firm which had \$1 billion in assets under management. She is currently a Director of TSX Venture listed AnalytixInsight Inc and TSX listed UEX Corporation. Ms. Stretch has a Bachelor of Arts in Economics and History from Western University and a Masters of Business Administration from the Schulich School of Business at York University.

Shareholdings: 765,882 Common Shares

Other Public Company Boards: AnalytixInsight Inc.
EarthRenew Inc.
UEX Corporation

Committee Memberships: Audit Committee and Compensation Committee

LAWRENCE GUY
ONTARIO, CANADA

DIRECTOR SINCE OCTOBER 25, 2018

Mr. Guy is Chief Executive Officer of North 52nd Asset Management Inc. Previously, Mr. Guy was a Portfolio Manager with Aston Hill Financial Inc. Prior to Aston Hill, Mr. Guy was Chief Financial Officer and Director of Navina Asset Management Inc., a company he co-founded that was subsequently acquired by Aston Hill Financial Inc. Mr. Guy has also held senior offices at Fairway Capital Management Corp., and First Trust Portfolios Canada Inc. Mr. Guy holds a Bachelor of Arts (Economics) degree from the University of Western Ontario and is a Chartered Financial Analyst.

Shareholdings: 1,580,000

Other Public Company Boards: None

Committee Memberships: None

Other Information about the Director Nominees

No proposed director of the Corporation (a) is, or within ten years prior to the date hereof has been, a director, chief executive officer or chief financial officer of any company (including the Corporation) that, (i) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer; or (ii) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer; (b) no proposed director of the Corporation (i) is, or within ten years prior to the date hereof has been, a director or executive officer of any company (including the Corporation) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (ii) has, within ten years prior to the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director; and (c) no proposed director has been subject to (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable shareholder in deciding whether to vote for a proposed director.

CORPORATE GOVERNANCE

The Corporation and the Board recognize the importance of corporate governance in effectively managing the Corporation, protecting employees and shareholders, and enhancing shareholder value.

The Board fulfills its mandate directly at regularly scheduled meetings or as required. The directors are kept informed regarding the Corporation's operations at regular meetings and through reports and discussions with management on matters within their particular areas of expertise. Frequency of meetings may be increased and the nature of the agenda items may be changed depending upon the state of the Corporation's affairs and in light of opportunities or risks that the Corporation faces.

The Corporation believes that its corporate governance practices are in compliance with applicable Canadian requirements for TSX Venture Exchange listed issuers. The Corporation is committed to monitoring governance developments to ensure its practices remain current and appropriate.

Ethical Business Conduct

The Board is apprised of the activities of the Corporation and ensures that it conducts such activities in an ethical manner. The Board had not adopted a written code of business conduct and ethics, however, the Board encourages and promotes an overall culture of ethical business conduct by promoting compliance with applicable laws, rules and regulations; providing guidance to

consultants, officers and directors to help them recognize and deal with ethical issues; promoting a culture of open communication, honesty and accountability; and ensuring awareness of disciplinary actions for violations of ethical business conduct. In particular, the Board ensure that directors exercise independent judgement in considering transactions and certain activities of the Corporation by holding in camera sessions of independent directors, when applicable, and by having each director declare his or her interest in a particular transaction and abstaining from voting on such matters, where applicable.

ABOUT THE BOARD

Independence of the Board

The Board is currently comprised of five members; their independence is as follows:

Director	Independent	Not Independent	Reason for Non-Independence
David Gower		√	CEO and Director of the Corporation
Marilia Bento	√		
Joaquin Merino		√	President and Director of the Corporation
Catherine Stretch	√		
Lawrence Guy	√		

To facilitate the functioning of the Board independently of management, the following structures and processes are in place:

- a majority of the directors are not management of the Corporation;
- under the by-laws of the Corporation, any two directors may call a meeting of the Board; and
- the Board practice is to hold in-camera meetings with the independent directors at the end of each Board or committee of the Board meeting to the extent required.

Nomination of Directors

The Board is solely responsible for identifying new candidates for nomination to the Board. The process by which candidates are identified is through recommendations presented to the Board, which establishes and discusses qualifications based on corporate law and regulatory requirements as well as education and experience related to the business of the Corporation.

Compensation

The Compensation Committee is responsible for recommending to the Board the compensation of the directors and senior officers of the Corporation. The process for determining executive compensation is relatively informal, in view of the size and stage of the Corporation and its operations. The Corporation does not maintain specific performance goals or use benchmarks in determining the compensation of executive officers. Upon the recommendation of the Compensation Committee, the Board of Directors may at its discretion award either a cash bonus or stock options for high achievement or for accomplishments that the Board of Directors deem as worthy of recognition.

The Compensation Committee considers and discusses proposals received from its members and the Chief Executive Officer of the Corporation regarding the compensation of management and the directors. Please refer to the section "Compensation Committee".

Board Assessments

The Board and its individual directors are assessed on an informal basis continually as to their effectiveness and contribution. The Chairman of the Board encourages discussion amongst the Board as to evaluation of the effectiveness of the Board as a whole and of each individual director.

All directors are free to make suggestions for improvement of the practice of the Board at any time and are encouraged to do so.

Majority Voting Policy

The Corporation has adopted a Majority Voting Policy to provide a meaningful way for the Corporation's shareholders to hold individual directors accountable and to require the Corporation to closely examine directors that do not have the support of a majority of Shareholders. The policy provides that forms of proxy for the election of directors will permit a Shareholder to vote in favour of, or to withhold from voting, separately for each director nominee and that where a director nominee has more votes withheld than are voted in favour of him or her, the nominee will be considered not to have received the support of the Shareholders, even though duly elected as a matter of corporate law. Pursuant to the policy, such a nominee will forthwith submit his or her resignation to the Board, such resignation to be effective on acceptance by the Board. The Board will then establish an advisory committee (the "**Committee**") to which it shall refer the resignation for consideration. In such circumstances, the Committee will make a recommendation to the Board as to the director's suitability to continue to serve as a director after reviewing, among other things, the results of the voting for the nominee and the Board will consider such recommendation. This policy does not apply where an election involves a proxy battle (i.e., where proxy material is circulated in support of one or more nominees who are not part of the director nominees supported by the Board).

Orientation and Continuing Education

The Board will be responsible for ensuring that new directors are provided with an orientation and education program, which will include written information about the duties and obligations of directors, the business and operations of the Corporation, documents from recent Board meetings, and opportunities for meetings and discussion with senior management and other directors. Directors are expected to attend all meetings of the Board and are also expected to prepare thoroughly in advance of each meeting in order to actively participate in the deliberations and decisions.

The Board recognizes the importance of ongoing director education and the need for each director to take personal responsibility for this process. The Board notes that it has benefited from the experience and knowledge of individual members of the Board in respect of the evolving governance regime and principles. The Board ensures that all directors are apprised of changes in the Corporation's operations and business.

AUDIT COMMITTEE

The purposes of the Audit Committee are to assist the Board's oversight of: the integrity of the Corporation's financial statements; the Corporation's compliance with legal and regulatory requirements; the qualifications and independence of the Corporation's independent auditors; and the performance of the independent auditors and the Corporation's internal audit function. Please see Schedule "B" for the Audit Committee Charter.

The Corporation's audit committee (the "**Audit Committee**") is currently comprised of three directors: Catherine Stretch (Chair), David Gower and Marilia Bento. Each of the members of the Audit Committee is considered financially literate. Mesdames Stretch and Bento are considered independent. Please refer to "Director Profiles", commencing on page 6, for the relevant education and experience of each of the members of the Audit Committee.

Audit Committee Oversight

At no time since the commencement of the Corporation's most recently completed financial year has there been a recommendation of the Audit Committee to nominate or compensate an external auditor which was not adopted by the Board.

Reliance on Certain Exemptions

At no time since the commencement of the Corporation's most recently completed financial year has the Corporation relied on either (a) an exemption in section 2.4 of National Instrument 52-110 – *Audit Committees* of the Canadian Securities Administrators (the "**Instrument**"); or (b) an exemption from the Instrument, in whole or in part, granted under Part 8 (*Exemptions*) of the Instrument. As the Corporation is listed on the TSX Venture Exchange, it is relying on the exemption provided in section 6.1 of the Instrument in respect of part 5 (Reporting Obligations) of the Instrument.

External Auditor

The Audit Committee pre-approves all non-audit services to be provided to the Corporation or its subsidiary entities by the issuer's external auditors.

Please see page 4 for the fees paid to external auditors in 2018 and 2019.

COMPENSATION COMMITTEE

The Corporation's compensation committee (the "**Compensation Committee**") is comprised of two directors: Catherine Stretch and Marilia Bento. Each of the members of the Compensation Committee is independent. The Compensation Committee is established by the Board to assist the Board in fulfilling its responsibilities relating to human resources and compensation issues.

OVERSIGHT AND DESCRIPTION OF DIRECTOR AND NAMED EXECUTIVE OFFICER COMPENSATION

Compensation of Directors

The Board, at the recommendation of the Compensation Committee, determines the compensation payable to the directors of the Corporation and reviews such compensation periodically throughout the year. For their role as directors of the Corporation, each director of the Corporation who is not a Named Executive Officer (as defined herein) may, from time to time, be awarded stock options under the provisions of the Stock Option Plan. There are no other arrangements under which the directors of the Corporation who are not Named Executive Officers were compensated by the Corporation or its subsidiaries during the most recently completed financial year end for their services in their capacity as directors of the Corporation.

Compensation of Named Executive Officers

For the financial year ended September 30, 2019, the objectives of the Corporation's compensation strategy was to ensure that compensation for its Named Executive Officers, as defined below ("**NEOs**") is sufficiently attractive to recruit, retain and motivate high performing individuals to assist Emerita in achieving its goals.

The process for determining executive compensation is relatively informal, in view of the size and stage of the Corporation and its operations. Executive officers are involved in the process and make recommendations to the Compensation Committee, which considers and recommends to the Board

for approval the discretionary components (e.g. cash bonuses) of the annual compensation of senior management (other than the Chief Executive Officer). Except as otherwise described below, the Corporation does not maintain specific performance goals or use benchmarks in determining the compensation of executive officers. Upon the recommendation of the Compensation Committee, the Board may at its discretion award either a cash bonus or stock options for high achievement or for accomplishments that the Board deem as worthy of recognition.

Compensation for the NEOs is composed primarily of three components: base fees, performance bonuses and stock based compensation. In establishing the levels of base fees, performance bonuses and the award of stock options, the Compensation Committee takes into consideration a variety of factors, including the financial and operating performance of the Corporation, and each NEO's individual performance and contribution towards meeting corporate objectives, responsibilities and length of service.

Salary

Amounts paid to executive officers as base salary, including merit salary increases, are determined in accordance with an individual's performance and salaries in the marketplace for comparable positions. However, certain of the NEOs provide their services in similar capacities to other reporting issuers, in addition to Emerita. There is no mandatory framework that determines which of these factors may be more or less important and the emphasis placed on any of these factors may vary among the executive officers. The determination of base salaries relies principally on negotiations between the respective NEO and the Corporation and is therefore heavily discretionary.

Bonus

Emerita's cash bonus awards are designed to reward an executive for the direct contribution which he or she can make to the Corporation. NEOs are entitled to receive discretionary bonuses from time to time as determined or approved by the Board, upon the recommendation of the Compensation Committee, or the Chief Executive Officer, as applicable. The Corporation does not currently prescribe a set of formal objective measures to determine discretionary bonus entitlements. Rather the Corporation uses informal goals which may include an assessment of an individual's current and expected future performance, level of responsibilities and the importance of his/her position and contribution to the Corporation. Precise goals or milestones are not pre-set by the Board.

Indebtedness of Directors and Officers

As at the date of this Circular, and during the financial year ended September 30, 2019, no director or executive officer of the Corporation or Nominee (as defined herein) (and each of their associates and/or affiliates) was indebted, including under any securities purchase or other program, to (i) the Corporation or its subsidiaries, or (ii) any other entity which is, or was at any time during the financial year ended September 30, 2019 the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or its subsidiaries.

Directors' and Officers' Insurance and Indemnification

The Corporation maintains insurance for the benefit of its directors and officers against liability in their respective capacities as directors and officers. The Corporation has purchased in respect of directors and officers an aggregate of \$5,000,000 in coverage. The approximate amount of premiums paid by the Corporation during the financial year ended September 30, 2019 in respect of such insurance was \$12,000.

The Corporation has not, as yet, adopted a policy restricting its Named Executive Officers or directors from purchasing instruments, including, for greater certainty, prepaid variable forward contracts, equity swaps, collars, or units of exchange funds, that are designated to hedge or offset

a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by the Named Executive Officers or directors.

In light of the Corporation's size, the Board does not deem it necessary to consider at this time the implications of the risks associated with its compensation policies and practices.

Summary Compensation Table

The following table summarizes the compensation paid during the two most recently completed financial years in respect of the individuals who were carrying out the role of the Chief Executive Officer ("CEO") of the Corporation and Chief Financial Officer ("CFO") of the Corporation (collectively, the "Named Executive Officers") and each of the directors of the Corporation. The CEO and CFO are the only Named Executive Officers of the Corporation as the Corporation does not employ any other individuals whose total compensation is greater than \$150,000.

TABLE OF COMPENSATION EXCLUDING COMPENSATION SECURITIES

Name and position	Year	Salary, consulting fee, retainer or commission (\$)	Bonus (\$)	Committee or meeting fees (\$)	Value of perquisites (\$)	Value of all other compensation (\$)	Total compensation (\$)
Joaquin Merino, President and Director and Former CEO ⁽¹⁾	2019	284,103	Nil	Nil	Nil	Nil	284,103
	2018	271,845	Nil	Nil	Nil	Nil	271,845
Greg Duras, Chief Financial Officer ⁽¹⁾	2019	60,000	Nil	Nil	Nil	Nil	60,000
	2018	60,000	Nil	Nil	Nil	Nil	60,000
David Gower, CEO & Director ^{(1),(2)}	2019	96,000	Nil	Nil	Nil	Nil	96,000
	2018	96,000	Nil	Nil	Nil	Nil	96,000
Marilia Bento, Director	2019	6,000	Nil	Nil	Nil	Nil	6,000
	2018	30,000	Nil	Nil	Nil	Nil	30,000
David Patterson, Former Director ⁽³⁾	2019	Nil	Nil	Nil	Nil	Nil	Nil
	2018	30,000	Nil	Nil	Nil	Nil	30,000
Catherine Stretch, Director	2019	6,000	Nil	Nil	Nil	Nil	6,000
	2018	30,000	Nil	Nil	Nil	Nil	30,000
Colin Watt, Former Director ⁽³⁾	2019	Nil	Nil	Nil	Nil	Nil	Nil
	2018	30,000	Nil	Nil	Nil	Nil	30,000
Lawrence Guy, Director	2019	6,000	Nil	Nil	Nil	Nil	6,000
	2018	N/A	N/A	N/A	N/A	N/A	N/A
Michael Timmins, Former CEO and Director ^{(2) (3)}	2019	Nil	Nil	Nil	Nil	Nil	Nil
	2018	55,000	Nil	Nil	Nil	Nil	55,000

Notes:

- (1) Compensation has been paid as consulting fees under the independent contractor agreement with the Named Executive Officer as described under the heading "Executive Compensation – Termination of Employment, Change in Responsibilities and Employment Contracts" of this Circular.
- (2) David Gower was appointed as Chief Executive Officer of the Corporation on August 1, 2018 following the resignation of Michael Timmins as Chief Executive Officer.
- (3) Messrs. Patterson and Watt resigned from the board of directors effective December 13, 2018. Mr. Timmins resigned from the board of directors on October 3, 2018.

Stock Options and Other Compensation Securities

The following table sets out all compensation securities granted or issued to each NEO and director by the Corporation for services provided or to be provided, directly or indirectly, to the Company in the most recently completed financial year.

Compensation Securities							
Name and position	Type of compensation security	Number of compensation securities, number of underlying securities, and percentage of class	Date of issue or grant	Issue, conversion or exercise price (\$)	Closing price of security or underlying security on date of grant (\$)	Closing price of security or underlying security at year end (\$)	Expiry Date
Joaquin Merino, President and Director and Former CEO ⁽¹⁾	N/A	Nil	N/A	N/A	N/A	N/A	N/A
Greg Duras, Chief Financial Officer ⁽²⁾	N/A	Nil	N/A	N/A	N/A	N/A	N/A
David Gower, CEO & Director ⁽³⁾	N/A	Nil	N/A	N/A	N/A	N/A	N/A
Marilia Bento, Director ⁽⁴⁾	N/A	Nil	N/A	N/A	N/A	N/A	N/A
David Patterson, Former Director ⁽⁶⁾	N/A	Nil	N/A	N/A	N/A	N/A	N/A
Catherine Stretch, Director ⁽⁵⁾	N/A	Nil	N/A	N/A	N/A	N/A	N/A
Colin Watt, Former Director ⁽⁶⁾	N/A	Nil	N/A	N/A	N/A	N/A	N/A
Lawrence Guy, Director ⁽⁷⁾	N/A	Nil	N/A	N/A	N/A	N/A	N/A
Michael Timmins, Former CEO and Director ⁽⁸⁾	N/A	Nil	N/A	N/A	N/A	N/A	N/A

Notes:

- (1) Mr. Merino holds 140,000 stock options with an exercise price of \$0.50 and expiring on August 29, 2021 and 650,000 stock options with an exercise price of \$0.10 that were issued on November 7, 2019 and expire on November 7, 2024.
- (2) Mr. Duras holds 40,000 stock options with an exercise price of \$0.50 and expiring on August 29, 2021 and 250,000 stock options with an exercise price of \$0.10 that were issued on November 7, 2019 and expire on November 7, 2024.
- (3) Mr. Gower holds 140,000 stock options with an exercise price of \$0.50 and expiring on August 29, 2021 and 650,000 stock options with an exercise price of \$0.10 that were issued on November 7, 2019 and expire on November 7, 2024.
- (4) Ms. Bento holds 50,000 stock options with an exercise price of \$0.50 and expiring on August 29, 2021 and 250,000 stock options with an exercise price of \$0.10 that were issued on November 7, 2019 and expire on November 7, 2024.
- (5) Ms. Stretch holds 50,000 stock options with an exercise price of \$0.50 and expiring on August 29, 2021 and 650,000 stock options with an exercise price of \$0.10 that were issued on November 7, 2019 and expire on November 7, 2024.
- (6) Messrs. Patterson and Watt resigned as members of the Board of Directors effective December 13, 2018.
- (7) Mr. Guy holds 50,000 stock options with an exercise price of \$0.50 and expiring on August 29, 2021 and 650,000 stock options with an exercise price of \$0.10 that were issued on November 7, 2019 and expire on November 7, 2024.
- (8) Mr. Timmins resigned as a member of the Board of Directors effective October 3, 2018.

Exercise of Stock Options

No NEO or director of the Corporation exercised stock options or compensation securities in the most recently completed financial year.

Stock Option Plans and Other Incentive Plans

Options are granted pursuant to the Corporation's Stock Option Plan and in accordance with the rules of the TSX Venture Exchange. The Stock Option Plan is administered by the Board, upon the recommendations of the Compensation Committee. See above under the section "Business of the Meeting – Stock Option Plan."

The table below sets out the outstanding options under the Stock Option Plan, being the Corporation's only compensation plan under which Common Shares are authorized for issuance, as of September 30, 2019.

	Number of securities to be issued upon exercise of outstanding options	Weighted-average exercise price of outstanding options	Number of securities remaining available under equity compensation plans (excluding securities reflected in column (a)) as of September 30, 2019
Plan Category	(a)	(b)	(c)
Equity compensation plans approved by security holders	1,030,000	\$0.50	4,031,417
Equity compensation plans not approved by security holders	Nil	Nil	Nil
TOTAL	1,030,000	\$0.50	4,031,417

Employment, Consulting and Management Agreements

The following describes the respective consulting and employment agreements entered into by the Corporation and its NEOs as of the date hereof.

Name	Monthly Fees	Severance on Termination	Severance on Change of Control ⁽¹⁾
Joaquin Merino, President	USD\$17,500	6 months' fees	24 months base fees plus aggregate cash bonuses paid in the 24 months prior to the Change of Control.
Greg Duras, Chief Financial Officer	\$5,000	6 months' fees	24 months base fees plus aggregate cash bonuses paid in the 24 months prior to the Change of Control.
David Gower, CEO	\$7,500	6 months fees	24 months base fees plus aggregate cash bonuses paid in the 24 months prior to the Change of Control.

Notes:

(1) Severance upon a change of control becomes payable in the event of a Change of Control of the Corporation and within one year following the date of the Change of Control the Corporation either terminates the executive officer's appointment or alters the executive officer's position and/or responsibilities in a materially adverse manner.

For the purpose of the agreements set forth above, "Change of Control" is defined as (a) the acquisition by any person (person being defined as an individual, a corporation, a partnership, an unincorporated association or organization, a trust, a government or department or agency thereof and the heirs, executors, administrators or other legal representatives of an individual and an associate or affiliate of any thereof as such terms are defined in the *Business Corporations Act* (British Columbia) of: (1) shares or rights or options to acquire shares of the Corporation or securities which are convertible into shares of the Corporation or any combination thereof such that after the completion of such acquisition such person would be entitled to exercise 30% or more of the votes entitled to be cast at a meeting of the shareholders of the Corporation; (2) shares or

rights or options to acquire shares of any material subsidiary of the Corporation or securities which are convertible into shares of the material subsidiary or any combination thereof such that after the completion of such acquisition such person would be entitled to exercise 30% or more of the votes entitled to be cast at a meeting of the shareholders of the material subsidiary; or (3) more than 50% of the material assets of the Corporation, including the acquisition of more than 50% of the material assets of any material subsidiary of the Corporation, or (b) as a result of or in connection with: (1) a contested election of directors; or (2) a consolidation, merger, amalgamation, arrangement or other reorganization of acquisitions involving the Corporation or its affiliates and another corporation or other entity, the nominees named in the most recent management information circular of the Corporation for election to the Board shall not constitute a majority of the Board.

Summary of Termination Payments

The estimated incremental payments, payables and benefits that might be paid to the officers pursuant to the above noted agreements in the event of termination without cause or after a Change of Control (assuming such termination or Change of Control is effective as of the Record Date) are detailed below:

Named Executive Officer	Termination not for Cause (\$)	Termination on a Change of Control Approved (\$)
Joaquin Merino		
Salary and Quantified Benefits	USD105,000	USD420,000
Bonus	N/A	N/A
Total	USD105,000	USD420,000
Greg Duras		
Salary and Quantified Benefits	30,000	120,000
Bonus	N/A	N/A
Total	30,000	120,000
David Gower		
Salary and Quantified Benefits	45,000	180,000
Bonus	N/A	N/A
Total	45,000	180,000

Interest of Informed Persons in Material Transactions

No person who has been a director or executive officer of the Corporation, nor any proposed nominee for director of the Corporation, nor any person or company who beneficially owns, directly or indirectly, or who exercises control or direction over (or a combination of both) more than 10% of the issued and outstanding Common Shares, nor any associate or affiliate of those persons, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any transaction since the beginning of the Corporation's last completed financial year or proposed transaction which has materially affected or would materially affect the Corporation or its subsidiaries.

ADDITIONAL INFORMATION AND CONTACT INFORMATION

Additional information relating to the Corporation may be found under the profile of the Corporation on SEDAR at www.sedar.com. Additional financial information is provided in the Corporation's audited financial statements and related management's discussion and analysis for the financial year ended September 30, 2019, which can be found under the profile of the Corporation on SEDAR. Shareholders may also request these documents from Damian Lopez, the Corporate Secretary of the Corporation by email at dlopez@fmresources.ca or by telephone at (416) 861-2269.

Board of Directors Approval

The contents of this Circular and the sending thereof to the Shareholders have been approved by the Board.

BY ORDER OF THE BOARD OF DIRECTORS

(signed) "David Gower"

Chief Executive Officer

Toronto, Ontario
July 24, 2020

**SCHEDULE “A”
EMERITA RESOURCES CORP.
STOCK OPTION PLAN**

1. STATEMENT OF PURPOSE

1.1 **Principal Purposes** – The principal purposes of the Plan are to provide the Company with the advantages of the incentive inherent in share ownership on the part of employees, officers, directors and consultants responsible for the continued success of the Company; to create in such individuals a proprietary interest in, and a greater concern for, the welfare and success of the Company; to encourage such individuals to remain with the Company; and to attract new employees, officers, directors and consultants to the Company.

1.2 **Benefit to Shareholders** – The Plan is expected to benefit shareholders by enabling the Company to attract and retain skilled and motivated personnel by offering such personnel an opportunity to share in any increase in value of the Shares resulting from their efforts.

2. INTERPRETATION

2.1 **Defined Terms** – For the purposes of this Plan, the following terms shall have the following meanings:

- (a) **“Act”** means the *Securities Act* (Ontario), as amended from time to time;
- (b) **“Associate”** shall have the meaning ascribed to such term in the Act;
- (c) **“Board”** means the Board of Directors of the Company;
- (d) **“Change in Control”** means:
 - (i) a takeover bid (as defined in the Act), which is successful in acquiring Shares,
 - (ii) the change of control of the Board resulting from the election by the members of the Company of less than a majority of the persons nominated for election by management of the Company,
 - (iii) the sale of all or substantially all the assets of the Company,
 - (iv) the sale, exchange or other disposition of a majority of the outstanding Shares in a single transaction or series of related transactions,
 - (v) the dissolution of the Company’s business or the liquidation of its assets,
 - (vi) a merger, amalgamation or arrangement of the Company in a transaction or series of transactions in which the Company’s shareholders receive less than 51% of the outstanding shares of the new or continuing corporation, or
 - (vii) the acquisition, directly or indirectly, through one transaction or a series of transactions, by any Person, of an aggregate of more than 50% of the outstanding Shares;
- (e) **“Committee”** means a committee of the Board appointed in accordance with this Plan, or if no such committee is appointed, the Board itself;

- (f) **“Company”** means Emerita Resources Corp., a company incorporated under the laws of the Province of British Columbia;
- (g) **“Consultant”** means an individual, other than an Employee, senior officer or director of the Company or a Subsidiary Company, or a Consultant Company, who;
 - (i) provides ongoing consulting, technical, management or other services to the Company or a Subsidiary Company, other than services provided in relation to a distribution of the Company’s securities,
 - (ii) provides the services under a written contract between the Company or a Subsidiary Company and the individual or Consultant Company,
 - (iii) in the reasonable opinion of the Company spends or will spend a significant amount of time and attention on the affairs and business of the Company or a Subsidiary Company, and
 - (iv) has a relationship with the Company or a Subsidiary Company that enables the individual or Consultant Company to be knowledgeable about the business and affairs of the Company;
- (h) **“Consultant Company”** means, for an individual Consultant, a company of which the individual is an employee or shareholder, or a partnership of which the individual is an employee or partner;
- (i) **“Date of Grant”** means the date specified in the Option Agreement as the date on which the Option is effectively granted;
- (j) **“Disability”** means any disability with respect to an Optionee which the Board, in its sole and unfettered discretion, considers likely to prevent permanently the Optionee from:
 - (i) being employed or engaged by the Company, a Subsidiary Company or another employer, in a position the same as or similar to that in which he was last employed or engaged by the Company or a Subsidiary Company; or
 - (ii) acting as a director or officer of the Company or a Subsidiary Company;
- (k) **“Disinterested Shareholder Approval”** means an ordinary resolution approved by a majority of the votes cast by members of the Company at a shareholders’ meeting, excluding votes attaching to Shares beneficially owned by Insiders to whom Options may be granted and Associates of those persons;
- (l) **“Effective Date”** means the effective date of this Plan, which is the later of the day of its approval by the shareholders of the Company and the day of its acceptance for filing by the Exchange if such acceptance for filing is required under the rules or policies of the Exchange;
- (m) **“Eligible Person”** means:
 - (i) an Employee, senior officer or director of the Company or any Subsidiary Company,
 - (ii) a Consultant,
 - (iii) an individual providing Investor Relations Activities for the Company;

- (iv) a company, all of the voting securities of which are beneficially owned by one or more of the persons referred to in (i), (ii) or (iii) above
- (n) **“Employee”** means:
 - (i) an individual who is considered an employee under the *Income Tax Act* (Canada) (i.e. for whom income tax, employment insurance and CPP deductions must be made at source),
 - (ii) an individual who works full-time for the Company or a Subsidiary Company providing services normally provided by an employee and who is subject to the same control and direction by the Company or a Subsidiary Company over the details and methods of work as an employee of the Company or a Subsidiary Company, but for whom income tax deductions are not made at source,
 - (iii) an individual who works for the Company or a Subsidiary Company, on a continuing and regular basis for a minimum amount of time per week, providing services normally provided by an employee and who is subject to the same control and direction by the Company or a Subsidiary Company over the details and methods of work as an employee of the Company or a Subsidiary Company, but for whom income tax deductions are not made at source;
- (o) **“Exchange”** means the stock exchange or over the counter market on which the Shares are listed;
- (p) **“Exchange Act”** means the United States *Securities Exchange Act* of 1934, as amended;
- (q) **“Fair Market Value”** means, where the Shares are listed for trading on an Exchange, the last closing price of the Shares before the Date of Grant on the Exchange which is the principal trading market for the Shares, as may be determined for such purpose by the Committee, provided that, so long as the Shares are listed only on the TSXVE, the “Fair Market Value” shall not be lower than the last closing price of the Shares before the Date of Grant less the maximum discount permitted under the policies of the TSXVE;
- (r) **“Guardian”** means the guardian, if any, appointed for an Optionee;
- (s) **“Insider”** shall have the meaning ascribed to such term in the Act;
- (t) **“Investor Relations Activities”** means any activities or oral or written communications, by or on behalf of the Company or a shareholder of the Company that promote or reasonably could be expected to promote the purchase or sale of securities of the Company, but does not include:
 - (i) the dissemination of information provided, or records prepared, in the ordinary course of business of the Company
 - (A) to promote the sale of products or services of the Company, or
 - (B) to raise public awareness of the Company,that cannot reasonably be considered to promote the purchase or sale of securities of the Company,

- (ii) activities or communications necessary to comply with the requirements of
 - (A) applicable securities laws,
 - (B) the rules and policies of the TSXVE, if the Shares are listed only on the TSXVE, or the by-laws, rules or other regulatory instruments of any other self-regulatory body or exchange having jurisdiction over the Company,
- (iii) communications by a publisher of, or writer for, a newspaper, magazine or business or financial publication, that is of general and regular paid circulation, distributed only to subscribers to it for value or to purchasers of it, if
 - (A) the communication is only through the newspaper, magazine or publication and
 - (B) the publisher or writer receives no commission or other consideration other than for acting in the capacity of publisher or writer, or
- (iv) activities or communications that may be otherwise specified by the TSXVE, if the Shares are listed only on the TSXVE;
- (u) “**Option**” means an option to purchase unissued Shares granted pursuant to the terms of this Plan;
- (v) “**Option Agreement**” means a written agreement between the Company and an Optionee specifying the terms of the Option being granted to the Optionee under the Plan;
- (w) “**Option Price**” means the exercise price per Share specified in an Option Agreement, adjusted from time to time in accordance with the provisions of Sections 6.3 and 10;
- (x) “**Optionee**” means an Eligible Person to whom an Option has been granted;
- (y) “**Person**” means a natural person, company, government or political subdivision or agency of a government; and where two or more Persons act as a partnership, limited partnership, syndicate or other group for the purpose of acquiring, holding or disposing of securities of an issuer, such syndicate or group shall be deemed to be a Person;
- (z) “**Plan**” means this Stock Option Plan of the Company;
- (aa) “**Qualified Successor**” means a person who is entitled to ownership of an Option upon the death of an Optionee, pursuant to a will or the applicable laws of descent and distribution upon death;
- (bb) “**Shares**” means the common shares in the capital of the Company as constituted on the Date of Grant, adjusted from time to time in accordance with the provisions of Section 10;
- (cc) “**Subsidiary Company**” shall mean a company which is a subsidiary of the Company;

- (dd) “**Term**” means the period of time during which an Option may be exercised; and
- (ee) “**TSXVE**” means the TSX Venture Exchange.

3. **ADMINISTRATION**

3.1 **Board or Committee** – The Plan shall be administered by the Board or by a Committee appointed in accordance with Section 3.2.

3.2 **Appointment of Committee** – The Board may at any time appoint a Committee, consisting of not less than three of its members, to administer the Plan on behalf of the Board in accordance with such terms and conditions as the Board may prescribe, consistent with this Plan. Once appointed, the Committee shall continue to serve until otherwise directed by the Board. From time to time, the Board may increase the size of the Committee and appoint additional members, remove members (with or without cause) and appoint new members in their place, fill vacancies however caused, or remove all members of the Committee and thereafter directly administer the Plan. In the absence of the appointment of a Committee by the Board, the Board shall administer the Plan.

3.3 **Quorum and Voting** – A majority of the members of the Committee shall constitute a quorum, and, subject to the limitations in this Section 3, all actions of the Committee shall require the affirmative vote of members who constitute a majority of such quorum. No member of the Committee who is a director to whom an Option may be granted may participate in the decision to grant such Option (but any such member may be counted in determining the existence of a quorum at any meeting of the Committee in which action is to be taken with respect to the granting of an Option to him).

3.4 **Powers of Board and Committee** – The Board shall from time to time authorize and approve the grant by the Company of Options under this Plan, and any Committee appointed under Section 3.2 shall have the authority to review the following matters in relation to the Plan and to make recommendations thereon to the Board;

- (a) administration of the Plan in accordance with its terms,
- (b) determination of all questions arising in connection with the administration, interpretation and application of the Plan, including all questions relating to the value of the Shares,
- (c) correction of any defect, supply of any information or reconciliation of any inconsistency in the Plan in such manner and to such extent as shall be deemed necessary or advisable to carry out the purposes of the Plan,
- (d) prescription, amendment and rescission of the rules and regulations relating to the administration of the Plan;
- (e) determination of the duration and purpose of leaves of absence from employment which may be granted to Optionees without constituting a termination of employment for purposes of the Plan,
- (f) with respect to the granting of Options:
 - (i) determination of the employees, officers, directors or consultants to whom Options will be granted, based on the eligibility criteria set out in this Plan,
 - (ii) determination of the terms and provisions of the Option Agreement which shall be entered into with each Optionee (which need not be identical with

the terms of any other Option Agreement) and which shall not be inconsistent with the terms of this Plan,

- (iii) amendment of the terms and provisions of an Option Agreement, provided the Board obtains:
 - (A) the consent of the Optionee, and
 - (B) if required, the approval of any stock exchange on which the Shares are listed,
- (iv) determination of when Options will be granted,
- (v) determination of the number of Shares subject to each Option,
- (vi) determination of the vesting schedule, if any, for the exercise of each Option, and
- (g) other determinations necessary or advisable for administration of the Plan.

3.5 **Obtain Approvals** – The Board will seek to obtain any regulatory, Exchange or shareholder approvals which may be required pursuant to applicable securities laws or Exchange rules.

3.6 **Administration by Committee** – The Committee shall have all powers necessary or appropriate to accomplish its duties under this Plan. In addition, the Committee's administration of the Plan shall in all respects be consistent with the Exchange policies and rules.

4. **ELIGIBILITY**

4.1 **Eligibility for Options** – Options may be granted to any Eligible Person.

4.2 **Insider Eligibility for Options** – Notwithstanding Section 4.1, if the Shares are listed only on the TSXVE, grants of Options to Insiders shall be subject to the policies of the TSXVE.

4.3 **No Violation of Securities Laws** – No Option shall be granted to any Optionee unless the Committee has determined that the grant of such Option and the exercise thereof by the Optionee will not violate the securities law of the jurisdiction in which the Optionee resides.

5. **SHARES SUBJECT TO THE PLAN**

5.1 **Number of Shares** – The maximum number of Shares issuable from time to time under the Plan, and all other equity compensation plans of the Company, is that number of Shares as is equal to 10% of the number of issued Shares at the Date of Grant of an Option. The maximum number of Shares issuable under the Plan shall be adjusted, where necessary, to take account of the events referred to in Section 10.

5.2 **Expiry of Option** – If an Option expires or terminates for any reason without having been exercised in full, the unpurchased Shares subject thereto shall again be available for the purposes of the Plan.

5.3 **Reservation of Shares** – The Company will at all times reserve for issuance and keep available such number of Shares as shall be sufficient to satisfy the requirements of the Plan.

6. OPTION TERMS

6.1 **Option Agreement** – Each Option granted to an Optionee shall be confirmed by the execution and delivery of an Option Agreement and the Board shall specify the following terms in each such Option Agreement:

- (a) the number of Shares subject to option pursuant to such Option, subject to the following limitations if the Shares are listed only on the TSXV:
 - (i) the number of Shares reserved for issuance under Options granted to Insiders under the Plan, and any other equity compensation plan of the Company, shall not exceed 10% of the issued Shares,
 - (ii) the grant to Insiders, within a 12 month period, of Options under the Plan, and any other equity compensation plan of the Company, shall not exceed 10% of the issued Shares,
 - (iii) the issuance of Shares on exercise of Options to any one Optionee under the Plan and any other equity compensation plan of the Company, shall not exceed 5% of the issued Shares in any 12-month period,
 - (iv) the number of options granted to any one Optionee under the Plan, and any other equity compensation plan of the Company, shall not exceed 5% of the issued Shares in any 12-month period,
 - (v) the number of Options granted to any one Consultant under the Plan, and any other equity compensation plan of the Company, shall not exceed 2% of the issued Shares in any 12-month period,
 - (vi) the aggregate number of Options granted to persons employed to provide Investor Relations Activities shall not exceed 2% of the issued Shares in any 12-month period;
- (b) the Date of Grant;
- (c) the Term, provided that, if the Shares are listed only on the TSXVE, the length of the Term shall in no event be greater than five years following the Date of Grant, except, if the Company is designated as “Tier 1” listed company by the TSXVE, then the Term shall be no greater than ten years following the Date of Grant, for all Optionees;
- (d) the Option Price, provided that the Option Price shall not be less than the Fair Market Value of the Shares on the Date of Grant;
- (e) subject to Section 6.2 below, any vesting schedule upon which the exercise of an Option is contingent;
- (f) if the Optionee is an Employee, Consultant or an individual providing Investor Relations Activities for the Company, a representation by the Company and the Optionee that the Optionee is a bona fide Employee, Consultant or an individual providing Investor Relations Activities for the Company, as the case may be, of the Company or a Subsidiary Company; and
- (g) such other terms and conditions as the Board deems advisable and are consistent with the purposes of this Plan.

6.2 **Vesting Schedule** – The Board, as applicable, shall have complete discretion to set the terms of any vesting schedule of each Option granted, including, without limitation, discretion to:

- (a) permit partial vesting in stated percentage amounts based on the Term of such Option; and
- (b) permit full vesting after a stated period of time has passed from the Date of Grant.

6.3 **Amendments to Options** – Amendments to the terms of previously granted Options are subject to regulatory approval, if required. If required by the Exchange, Disinterested Shareholder Approval shall be required for any reduction in the Option Price of a previously granted Option if the Optionee is an Insider of the Company at the time of the proposed reduction in the Option Price.

6.4 **Uniformity** – Except as expressly provided herein, nothing contained in this Plan shall require that the terms and conditions of Options granted under the Plan be uniform.

7. **EXERCISE OF OPTION**

7.1 **Method of Exercise** – Subject to any limitations or conditions imposed upon an Optionee pursuant to the Option Agreement or Section 6 hereof, an Optionee may exercise an Option by giving written notice thereof, specifying the number of Shares in respect of which the Option is exercised, to the Company at its principal place of business at any time after the Date of Grant until 4:00 p.m. (Toronto time) on the last day of the Term, such notice to be accompanied by full payment of the aggregate Option Price to the extent the Option is so exercised and an indication as to suitable arrangements made with the Corporation, in accordance with Section 15.7, for the receipt by the Corporation of an amount sufficient to satisfy any withholding tax requirements under applicable tax legislation in respect of the exercise of an Option (the "**Withholding Obligations**"). Such amounts shall be in lawful money (Canadian funds) by cash, cheque, bank draft or wire transfer. Payment by cheque made payable to the Company in the amount of the aggregate Option Price shall constitute payment of such Option Price unless the cheque is not honoured upon presentation, in which case the Option shall not have been validly exercised. Such payment shall be in lawful money (Canadian funds) by cash, cheque, bank draft or wire transfer. Payment by cheque made payable to the Company in the amount of the aggregate Option Price shall constitute payment of such Option Price unless the cheque is not honoured upon presentation, in which case the Option shall not have been validly exercised.

7.2 **Issuance of Certificates** – Not later than the third business day after exercise of an Option in accordance with Section 7.1, the Company shall issue and deliver to the Optionee a certificate or certificates evidencing the Shares with respect to which the Option has been exercised. Until the issuance of such certificate or certificates, no right to vote or receive dividends or any other rights as a shareholder shall exist with respect to such Shares, notwithstanding the exercise of the Option. No adjustment will be made for a dividend or other right for which the record date is prior to the date the certificate is issued, except as provided by Section 10 hereof.

7.3 **Compliance with U.S. Securities Laws** – As a condition to the exercise of an Option, the Board may require the Optionee to represent and warrant in writing at the time of such exercise that the Shares are being purchased only for investment and without any then-present intention to sell or distribute such Shares. At the option of the Board, a stop-transfer order against such Shares may be placed on the stock books and records of the Company and a legend, indicating that the stock may not be pledged, sold or otherwise transferred unless an opinion of counsel is provided stating that such transfer is not in violation of any applicable law or regulation, may be stamped on the certificates representing such Shares in order to assure an exemption from registration. The Board may also require such other documentation as may from time to time be necessary to comply with United States' federal and state securities laws. The Company has no obligation to undertake registration of Options or the Shares issuable upon the exercise of the Options.

8. TRANSFERABILITY OF OPTIONS

8.1 **Non-Transferable/Legending** – Except as permitted by applicable securities laws and the policies of the Exchange, and as provided otherwise in this Section 8, Options are non-assignable and non-transferable. If the Shares are listed only on the TSXVE, then, in addition to any resale restrictions under applicable securities laws, if the Company is, at the Date of Grant of an Option, designated as a “Tier 2” listed company by the TSXVE or, if the Company is not so designated but the Option Price is based on a discount from the last closing price of the Shares on the TSXVE, the Option Agreement and the certificates representing the Shares issued on the exercise of such Option shall bear the TSXVE legend with a four-month hold period commencing on the Date of Grant.

8.2 **Death of Optionee** – Subject to Section 8.3, if the employment of an Optionee as an Employee of, or the services of a Consultant providing services to, the Company or any Subsidiary Company, or the employment of an Optionee as an individual providing Investor Relations Activities, or the position of the Optionee as a director or senior officer of the Company or any Subsidiary Company, terminates as a result of such Optionee’s death, any Options held by such Optionee shall pass to the Qualified Successor of the Optionee and shall be exercisable by such Qualified Successor until the earlier of a period of not more than one year following the date of such death and the expiry of the Term of the Option.

8.3 **Disability of Optionee** – If the employment of an Optionee as an Employee of, or the services of a Consultant providing services to, the Company or any Subsidiary Company, or the employment of an Optionee as an individual providing Investor Relations Activities for the Company, or the position of the Optionee as a director or senior officer of the Company or any Subsidiary Company, is terminated by reason of such Optionee’s Disability, any Options held by such Optionee that could have been exercised immediately prior to such termination of employment or service shall be exercisable by such Optionee, or by his Guardian, for a period of not more than one year following the date of such following the termination of employment or service of such Optionee. If such Optionee dies within that period of not more than one year, any Option held by such Optionee that could have been exercised immediately prior to his or her death shall pass to the Qualified Successor of such Optionee, and shall be exercisable by the Qualified Successor until the earlier of a period of not more than one year following the death of such Optionee and the expiry of the Term of the Option.

8.4 **Vesting** – Options held by a Qualified Successor or exercisable by a Guardian shall, during the period prior to their termination, continue to vest in accordance with any vesting schedule to which such Options are subject.

8.5 **Deemed Non-Interruption of Employment** – Employment shall be deemed to continue intact during any military or sick leave or other bona fide leave of absence if the period of such leave does not exceed 90 days or, if longer, for so long as the Optionee’s right to reemployment with the Company or any Subsidiary Company is guaranteed either by statute or by contract. If the period of such leave exceeds 90 days and the Optionee’s reemployment is not so guaranteed, then the Optionee’s employment shall be deemed to have terminated on the ninety-first day of such leave.

9. TERMINATION OF OPTIONS

9.1 **Termination of Options** – To the extent not earlier exercised or terminated in accordance with Section 8, an Option shall terminate at the earliest of the following dates:

- (a) the termination date specified for such Option in the Option Agreement;
- (b) where the Optionee’s position as an Employee, a Consultant, a director or a senior officer of the Company or any Subsidiary Company, or an individual providing

Investor Relations Activities for the Company, is terminated for cause, the date of such termination for cause;

- (c) where the Optionee's position as an Employee, a Consultant, a director or a senior officer of the Company or any Subsidiary Company or an individual providing Investor Relations Activities for the Company terminates for a reason other than the Optionee's Disability or death or for cause, not more than 90 days after such date of termination or, if the Shares are listed only on the TSXVE and if the Company is designated as a "Tier 2" listed company by the TSXVE, then in the case of a person employed to provide Investor Relations Activities, not more than 30 days after such person ceases to be employed to provide Investor Relations Activities; PROVIDED that if an Optionee's position changes from one of the said categories to another category, such change shall not constitute termination or cessation for the purpose of this Subsection 9.1(c); and
- (d) the date of any sale, transfer, assignment or hypothecation, or any attempted sale, transfer, assignment or hypothecation, of such Option in violation of Section 8.1.

9.2 **Lapsed Options** – If Options are surrendered, terminate or expire without being exercised in whole or in part, new Options may be granted covering the Shares not purchased under such lapsed Options. If an Option has been surrendered in connection with the regranting of a new Option to the same Optionee on different terms than the original Option granted to such Optionee, then, if required, the new Option is subject to approval of the Exchange.

9.3 **Exclusion From Severance Allowance, Retirement Allowance or Termination Settlement** – If the Optionee retires, resigns or is terminated from employment or engagement with the Company or any Subsidiary Company, the loss or limitation, if any, pursuant to the Option Agreement with respect to the right to purchase Option Shares which were not vested at that time or which, if vested, were cancelled, shall not give rise to any right to damages and shall not be included in the calculation of nor form any part of any severance allowance, retiring allowance or termination settlement of any kind whatsoever in respect of such Optionee.

10. **ADJUSTMENTS TO OPTIONS**

10.1 **Alteration in Capital Structure** – If there is any change in the Shares through or by means of a declaration of stock dividends of the Shares or consolidations, subdivisions or reclassifications of the Shares, or otherwise, the number of Shares available under the Plan, the Shares subject to any Option and the Option Price therefor shall be adjusted proportionately by the Board and, if required, approved by the Exchange, and such adjustment shall be effective and binding for all purposes of the Plan.

10.2 **Effect of Amalgamation, Merger or Arrangement** – If the Company amalgamates, merges or enters into a plan of arrangement with or into another corporation, any Shares receivable on the exercise of an Option shall be converted into the securities, property or cash which the Optionee would have received upon such amalgamation, merger or arrangement if the Optionee had exercised the Option immediately prior to the record date applicable to such amalgamation, merger or arrangement, and the exercise price shall be adjusted proportionately by the Board and such adjustment shall be binding for all purposes of the Plan.

10.3 **Acceleration on Change in Control** – Upon a Change in Control, all Options shall become immediately exercisable, notwithstanding any contingent vesting provisions to which such Options may have otherwise been subject.

10.4 **Acceleration of Date of Exercise** – Subject to the approval of the Exchange, if required, the Board shall have the right to accelerate the date of vesting of any portion of any Option which remains unvested.

10.5 **Determinations to be Binding** – If any questions arise at any time with respect to the Option Price or exercise price or number of Option Shares or other property deliverable upon exercise of an Option following an event referred to in this Section 10, such questions shall be conclusively determined by the Board, whose decisions shall be final and binding.

10.6 **Effect of a Take-Over** – If a *bona fide* offer (the “Offer”) for Shares is made to an Optionee or to shareholders generally or to a class of shareholders which includes the Optionee, which Offer constitutes a take-over bid within the meaning of the Act, the Company shall, immediately upon receipt of notice of the Offer, notify each Optionee of full particulars of the Offer, whereupon any Option held by an Optionee may be exercised in whole or in part, notwithstanding any contingent vesting provisions to which such Options may have otherwise been subject, by the Optionee so as to permit the Optionee to tender the Shares received upon such exercise (the “Optioned Shares”) to the Offer. If:

- (a) the Offer is not completed within the time specified therein; or
- (b) all of the Optioned Shares tendered by the Optionee pursuant to the Offer are not taken up and paid for by the offeror pursuant thereto;

the Optioned Shares or, in the case of clause (b) above, the Optioned Shares that are not taken up and paid for, may be returned by the Optionee to the Company and reinstated as authorized but unissued Shares and with respect to such returned Optioned Shares, the Option shall be reinstated as if it had not been exercised. If any Optioned Shares are returned to the Company under this Section, the Company shall refund to the Optionee any Option Price paid for such Optioned Shares.

11. **APPROVAL, TERMINATION AND AMENDMENT OF PLAN**

11.1 **Shareholder Approval** – This Plan, if the Shares are listed only on the TSXVE, is subject to shareholder approval on a yearly basis at the Company’s next ensuing annual general meeting.

11.2 **Power of Board to Terminate or Amend Plan** – Subject to the approval of the Exchange, if required, the Board may terminate, suspend or discontinue the Plan at any time or amend or revise the terms of the Plan; provided, however, that, except as provided in Section 10, the Board may not do any of the following without obtaining, within 12 months either before or after the Board’s adoption of a resolution authorizing such action, approval by the Company’s shareholders at a meeting duly held in accordance with the applicable corporate laws:

- (a) increase the maximum number of Shares which may be issued under the Plan;
- (b) materially modify the requirements as to eligibility for participation in the Plan; or
- (c) materially increase the benefits accruing to participants under the Plan;

however, the Board may amend the terms of the Plan to comply with the requirements of any applicable regulatory authority, or as a result of changes in the policies of the Exchange relating to director, officer and employee stock options, without obtaining the approval of the Company’s shareholders.

11.3 **No Grant During Suspension of Plan** – No Option may be granted during any suspension, or after termination, of the Plan. Amendment, suspension or termination of the Plan shall not, without the consent of the Optionee, alter or impair any rights or obligations under any Option previously granted.

12. **CONDITIONS PRECEDENT TO ISSUANCE OF SHARES**

12.1 **Compliance with Laws** – Shares shall not be issued with respect to an Option unless the exercise of such Option and the issuance and delivery of such shares shall comply with all relevant

provisions of law, including, without limitation, any applicable United States' state securities laws, the Securities Act of 1933, as amended, the Exchange Act, the rules and regulations thereunder and the requirements of any Exchange or automated interdealer quotation system of a registered national securities association upon which such Shares may then be listed or quoted, and such issuance shall be further subject to the approval of counsel for the Company with respect to such compliance, including the availability of an exemption from registration for the issuance and sale of such Shares. The inability of the Company to obtain from any regulatory body the authority deemed by the Company to be necessary for the lawful issuance and sale of any Shares under this Plan, or the unavailability of an exemption from registration for the issuance and sale of any Shares under this Plan, shall relieve the Company of any liability with respect to the non-issuance or sale of such Shares other than with respect to a refund of any Option Price paid.

13. **USE OF PROCEEDS**

13.1 **Use of Proceeds** – Proceeds from the sale of Shares pursuant to the Options granted and exercised under the Plan shall constitute general funds of the Company and shall be used for general corporate purposes, or as the Board otherwise determines.

14. **NOTICES**

14.1 **Notices** – All notices, requests, demands and other communications required or permitted to be given under this Plan and the Options granted under this Plan shall be in writing and shall be either delivered personally to the party to whom notice is to be given, in which case notice shall be deemed to have been duly given on the date of such personal delivery; telecopied, in which case notice shall be deemed to have been duly given on the date the telecopy is sent; or mailed to the party to whom notice is to be given, by first class mail, registered or certified, return receipt requested, postage prepaid, and addressed to the party at his or its most recent known address, in which case such notice shall be deemed to have been duly given on the tenth postal delivery day following the date of such mailing.

15. **MISCELLANEOUS PROVISIONS**

15.1 **No Obligations to Exercise** – Optionees shall be under no obligation to exercise Options granted under this Plan.

15.2 **No Obligation to Retain Optionee** – Nothing contained in this Plan shall obligate the Company or any Subsidiary Company to retain an Optionee as an employee, officer, director or consultant for any period, nor shall this Plan interfere in any way with the right of the Company or any Subsidiary Company to reduce such Optionee's compensation.

15.3 **Binding Agreement** – The provisions of this Plan and of each Option Agreement with an Optionee shall be binding upon such Optionee and the Qualified Successor or Guardian of such Optionee.

15.4 **Use of Terms** – Where the context so requires, references herein to the singular shall include the plural, and vice versa, and references to a particular gender shall include either or both genders.

15.5 **Headings** – The headings used in this Plan are for convenience of reference only and shall not in any way affect or be used in interpreting any of the provisions of this Plan.

15.6 **No Representation or Warranty** – The Company makes no representation or warranty as to the future value of any Shares issued in accordance with the provisions of this Plan.

15.7 **Income Taxes** – Upon the exercise of an Option by an Optionee, the Company shall have the right to require the Optionee to remit to the Company an amount sufficient to satisfy any Withholding Obligations relating thereto under applicable tax legislation. Unless otherwise

prohibited by the Board or by applicable law, satisfaction of the amount of the Withholding Obligations (the "**Withholding Amount**") may be accomplished by any of the following methods or by a combination of such methods as determined by the Company in its sole discretion:

- (a) the tendering by the Optionee of cash payment to the Company in an amount less than or equal to the Withholding Amount; or
- (b) the withholding by the Company from the Shares otherwise due to the Optionee such number of Shares as it determines are required to be sold by the Company, as trustee, to satisfy the Withholding Amount (net of selling costs). By executing and delivering the Option Agreement, the Optionee shall be deemed to have consented to such sale and have granted to the Company an irrevocable power of attorney to effect the sale of such Shares and to have acknowledged and agreed that the Company does not accept responsibility for the price obtained on the sale of such Shares; or
- (c) the withholding by the Company from any cash payment otherwise due by the Company to the Optionee, including salaries, directors fees, consulting fees and any other forms of remuneration, such amount of cash as is required to pay and satisfy the Withholding Amount;

provided, however, in all cases, that the sum of any cash so paid or withheld and the fair market value of any Shares so withheld is sufficient to satisfy the Withholding Amount.

The provisions of the Option Agreement shall provide that the Optionee (or their beneficiaries) shall be responsible for all taxes with respect to any Options granted under the Option Plan and an acknowledgement that neither the Board nor the Company shall make any representations or warranties of any nature or kind whatsoever to any person regarding the tax treatment of Options or payments on account of the Withholding Amount made under the Option Plan and none of the Board, the Company, nor any of its employees or representatives shall have any liability to an Optionee (or its beneficiaries) with respect thereto.

15.8 **Compliance with Applicable Law** – If any provision of the Plan or any Option Agreement contravenes any law or any order, policy, by-law or regulation of any regulatory body or stock exchange or over the counter market having authority over the Company or the Plan, then such provision shall be deemed to be amended to the extent required to bring such provision into compliance therewith.

15.9 **Conflict** – In the event of any conflict between the provisions of this Plan and an Option Agreement, the provisions of this Plan shall govern.

15.10 **Governing Law** – This Plan and each Option Agreement issued pursuant to this Plan shall be governed by the laws of the Province of Ontario.

15.11 **Time of Essence** – Time is of the essence of this Plan and of each Option Agreement. No extension of time will be deemed to be, or to operate as, a waiver of the essentiality of time.

15.12 **Entire Agreement** – This Plan and the Option Agreement sets out the entire agreement between the Company and the Optionees relative to the subject matter hereof and supersedes all prior agreements, undertakings and understandings, whether oral or written.

16. **EFFECTIVE DATE OF PLAN**

16.1 **Effective Date of Plan** – This Plan shall be effective on the later of the day of its approval by the shareholders of the Company given by way of ordinary resolution and the day of its acceptance for filing by the Exchange.

SCHEDULE "B"

Audit Committee Charter

The following Audit Committee Charter was adopted by the Audit Committee of the Board of Directors and the Board of Directors of **EMERITA RESOURCES CORP.** (the "**Company**"):

Mandate

The primary function of the audit committee (the "**Committee**") is to assist the Company's Board of Directors in fulfilling its financial oversight responsibilities by reviewing the financial reports and other financial information provided by the Company to regulatory authorities and shareholders, the Company's systems of internal controls regarding finance and accounting and the Company's auditing, accounting and financial reporting processes. Consistent with this function, the Committee will encourage continuous improvement of, and should foster adherence to, the Company's policies, procedures and practices at all levels. The Committee's primary duties and responsibilities are to:

- serve as an independent and objective party to monitor the Company's financial reporting and internal control system and review the Company's financial statements;
- review and appraise the performance of the Company's external auditors; and
- provide an open avenue of communication among the Company's auditors, financial and senior management and the Board of Directors.

Composition

The Committee shall be comprised of a minimum of three directors as determined by the Board of Directors. If the Company ceases to be a "venture issuer" (as that term is defined in National Instrument 52-110 ("**NI 52-110**")), then all of the members of the Committee shall be free from any relationship that, in the opinion of the Board of Directors, would interfere with the exercise of his or her independent judgment as a member of the Committee.

If the Company ceases to be a "venture issuer" (as that term is defined in NI 52-110), then all members of the Committee shall have accounting or related financial management expertise. All members of the Committee that are not financially literate will work towards becoming financially literate to obtain a working familiarity with basic finance and accounting practices. For the purposes of the Company's Audit Committee Charter, the definition of "financially literate" is the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can presumably be expected to be raised by the Company's financial statements.

The members of the Committee shall be elected by the Board of Directors at its first meeting following the annual shareholders' meeting. Unless a Chair is elected by the full Board of Directors, the members of the Committee may designate a Chair by a majority vote of the full Committee membership.

Meetings

The Committee shall meet at least twice annually, or more frequently as circumstances dictate. As part of its job to foster open communication, the Committee will meet at least annually with the Chief Financial Officer and the external auditors in separate sessions.

Responsibilities and Duties

To fulfill its responsibilities and duties, the Committee shall:

1. Documents/Reports Review

- (a) review and update this Audit Committee Charter annually; and
- (b) review the Company's financial statements, MD&A and any annual and interim earnings press releases before the Company publicly discloses this information and any reports or other financial information (including quarterly financial statements), which are submitted to any governmental body, or to the public, including any certification, report, opinion, or review rendered by the external auditors.

2. External Auditors

- (a) review annually, the performance of the external auditors who shall be ultimately accountable to the Company's Board of Directors and the Committee as representatives of the shareholders of the Company;
- (b) obtain annually, a formal written statement of external auditors setting forth all relationships between the external auditors and the Company, consistent with Independence Standards Board Standard 1;
- (c) review and discuss with the external auditors any disclosed relationships or services that may impact the objectivity and independence of the external auditors;
- (d) take, or recommend that the Company's full Board of Directors take appropriate action to oversee the independence of the external auditors, including the resolution of disagreements between management and the external auditor regarding financial reporting;
- (e) recommend to the Company's Board of Directors the selection and, where applicable, the replacement of the external auditors nominated annually for shareholder approval;
- (f) recommend to the Company's Board of Directors the compensation to be paid to the external auditors;
- (g) at each meeting, consult with the external auditors, without the presence of management, about the quality of the Company's accounting principles, internal controls and the completeness and accuracy of the Company's financial statements;
- (h) review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Company;
- (i) review with management and the external auditors the audit plan for the year-end financial statements and intended template for such statements; and
- (j) review and pre-approve all audit and audit-related services and the fees and other compensation related thereto, and any non-audit services, provided by the Company's external auditors. The pre-approval requirement is waived with respect to the provision of non-audit services if:
 - (i) the aggregate amount of all such non-audit services provided to the Company constitutes not more than five percent of the total amount of revenues paid by the Company to its external auditors during the fiscal year in which the non-audit services are provided,

- (ii) such services were not recognized by the Company at the time of the engagement to be non-audit services, and
- (iii) such services are promptly brought to the attention of the Committee by the Company and approved prior to the completion of the audit by the Committee or by one or more members of the Committee who are members of the Board of Directors to whom authority to grant such approvals has been delegated by the Committee.

Provided the pre-approval of the non-audit services is presented to the Committee's first scheduled meeting following such approval such authority may be delegated by the Committee to one or more independent members of the Committee.

3. Financial Reporting Processes

- (a) in consultation with the external auditors, review with management the integrity of the Company's financial reporting process, both internal and external;
- (b) consider the external auditors' judgments about the quality and appropriateness of the Company's accounting principles as applied in its financial reporting;
- (c) consider and approve, if appropriate, changes to the Company's auditing and accounting principles and practices as suggested by the external auditors and management;
- (d) review significant judgments made by management in the preparation of the financial statements and the view of the external auditors as to appropriateness of such judgments;
- (e) following completion of the annual audit, review separately with management and the external auditors any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information;
- (f) review any significant disagreement among management and the external auditors in connection with the preparation of the financial statements;
- (g) review with the external auditors and management the extent to which changes and improvements in financial or accounting practices have been implemented;
- (h) review any complaints or concerns about any questionable accounting, internal accounting controls or auditing matters;
- (i) review the certification process;
- (j) establish a procedure for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters; and
- (k) establish a procedure for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

4. Other

- (a) review any related-party transactions;
- (b) engage independent counsel and other advisors as it determines necessary to carry out its duties; and

- (c) to set and pay compensation for any independent counsel and other advisors employed by the Committee.



Consolidated Financial Statements

For the years ended September 30, 2019 and 2018

(Expressed in Canadian Dollars)

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 subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at September 30, 2019 and 2018 and October 1, 2017, 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 ended September 30, 2019 and 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at September 30, 2019 and 2018 and October 1, 2017, and its consolidated financial performance and its consolidated cash flows for the years ended September 30, 2019 and 2018 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.

Material uncertainty related to going concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss during the year ended September 30, 2019 and, as of that date, the Company's current liabilities exceeded its current assets and the Company has a shareholders' deficiency. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that material uncertainties exist that cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

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

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

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

- As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement

resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

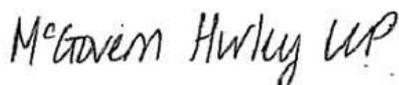
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

McGovern Hurley LLP



**Chartered Professional Accountants
Licensed Public Accountants**

Toronto, Ontario
January 28, 2020

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

As at:	September 30, 2019	September 30, 2018	October 1, 2017
	Note	\$	\$
			(Note 3)
			(Note 3)
ASSETS			
Current			
Cash		69,783	31,325
Amounts receivable		58,598	169,935
Prepaid expenses		109,182	18,059
Total current assets		237,563	219,139
Long-term			
Reclamation deposit		16,604	17,273
Equipment	5	10,048	16,941
Total assets		264,215	253,533
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	11,12	829,711	2,049,613
Other liabilities	15	1,005,602	-
Current liabilities		1,835,313	2,049,613
Long-term loans payable	10	284,149	-
Total liabilities		2,119,462	2,049,613
SHAREHOLDERS' EQUITY/(DEFICIENCY)			
Common shares	8	13,695,088	11,775,614
Warrant reserve	9	1,059,905	951,105
Option reserve	9	343,100	348,000
Deficit		(16,953,340)	(14,870,799)
Total shareholders' equity/(deficiency)		(1,855,247)	(1,796,080)
Total liabilities and shareholders' equity/(deficiency)		264,215	253,533
Nature of operations and going concern	1		
Commitments and contingencies	15		
Subsequent events	16		

Approved on behalf of the Board of Directors on January 28, 2020:

Signed: "Catherine Stretch", Director

Signed: "David Gower", Director

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

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

		Year ended	
		September 30,	
	Note	2019	2018
		\$	\$
			(Note 3)
Expenses			
Project evaluation expenses	7	41,113	2,828,328
Consulting and management fees		791,364	1,035,572
Professional fees		77,890	65,296
Shareholder communication and filing fees		72,423	50,830
Promotion		42,391	88,975
Travel expenses		39,904	110,935
Office expenses		96,143	87,922
(Loss) for the year before other items		(1,161,228)	(4,267,858)
Other items			
Loss on investment in associate	6	(722,857)	(243,024)
Interest income		781	3,464
Interest expense	10	(113,607)	-
Foreign exchange (loss)		(90,530)	(59,260)
Comprehensive (loss) for the year		(2,087,441)	(4,566,678)
Basic and diluted (loss) per share		\$ (0.06)	\$ (0.17)
Weighted average number of common shares outstanding			
Basic and Diluted		36,126,288	26,302,779

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

	Number of shares #	Common Shares \$	Warrant Reserve \$	Option Reserve \$	Deficit	Shareholders' equity/(deficiency) \$
Balance, September 30, 2018	28,419,165	11,775,614	951,105	348,000	(14,870,799)	(1,796,080)
Common shares issued, net of issue costs	22,195,000	2,028,274	-	-	-	2,028,274
Warrants issued	-	(108,800)	108,800	-	-	-
Options expired unexercised	-	-	-	(4,900)	4,900	-
Loss and comprehensive loss for the year	-	-	-	-	(2,087,441)	(2,087,441)
Balance, September 30, 2019	50,614,165	13,695,088	1,059,905	343,100	(16,953,340)	(1,855,247)
Balance, September 30, 2017	19,413,965	8,523,762	227,950	354,000	(10,535,359)	(1,429,647)
Common shares issued, net of issue costs	8,985,200	4,190,245	-	-	-	4,190,245
Warrants issued	-	(951,105)	951,105	-	-	-
Warrants exercised	20,000	15,000	(5,000)	-	-	10,000
Warrants expired unexercised	-	-	(225,238)	-	225,238	-
Warrant revaluation	-	(2,288)	2,288	-	-	-
Options expired unexercised	-	-	-	(6,000)	6,000	-
Loss and comprehensive loss for the year (Note 3)	-	-	-	-	(4,566,678)	(4,566,678)
Balance, September 30, 2018	28,419,165	11,775,614	951,105	348,000	(14,870,799)	(1,796,080)

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,	
		2019 \$	2018 \$
(Note 3)			
Cash (used in)/provided by:			
Operating activities			
(Loss) for the year		(2,087,441)	(4,566,678)
Items not involving cash:			
Loss on investment in associate	6	722,857	243,024
Interest expense		34,149	-
Amortization	5	6,893	3,811
Working capital adjustments:		(193,417)	2,395
Net cash (used in) operating activities		(1,516,959)	(4,317,448)
Investing activities			
Property, plant and equipment	5	-	(7,167)
Investment in associate	6	(722,857)	(243,024)
Net cash (used in) investing activities		(722,857)	(250,191)
Financing activities			
Proceeds from issuance of common shares	8	2,219,500	4,342,600
Cost of issue	8	(191,226)	(272,355)
Proceeds from loans	10	454,630	-
Loan repayment	10	(204,630)	-
Warrants exercised	9	-	10,000
Net cash provided by financing activities		2,278,274	4,080,245
Change in cash, during the year		38,458	(487,394)
Cash, beginning of year		31,325	518,719
Cash, end of year		69,783	31,325

SUPPLEMENTAL INFORMATION

Broker warrants issued	\$	108,800	\$	-
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The accompanying notes are an integral part of these consolidated financial statements

Emerita Resources Corp.

Notes to the Consolidated Financial Statements

For the years ended September 30, 2019 and 2018

Expressed in Canadian Dollars

1. NATURE OF OPERATIONS AND GOING CONCERN

Emerita Resources Corp. (the “Company”, or “Emerita”) was incorporated on October 30, 2009 as 0865140 BC Ltd. pursuant to the *Business Corporations Act of British Columbia*. On January 8, 2013, the Company completed its Qualifying Transaction and ceased to be a Capital Pool Company. The Company changed its name to Emerita Gold Corp. and commenced trading as a Tier 2 Mining Issuer on the TSX Venture Exchange (“TSXV”) on January 11, 2013 under the new trading symbol “EMO”. The Company owns the following subsidiaries:

- A 100% interest in Emerita Resources Espana SL (“Emerita Espana”), a company incorporated on May 30, 2012 in Spain.
- A 99% interest in Emerita do Brazil Mineracao Ltda. (“Emerita Brazil”), a company incorporated on December 9, 2017 in Brazil.
- A 75% interest in Zinco das Gerais, a company incorporated on August 15, 2017 in Brazil.

The Company is currently engaged in the acquisition, exploration and development of mineral properties. The head office and principal address of the Company is 65 Queen Street West, Suite 800, Toronto, Ontario, M5H 2M5.

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

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

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

The Company has a need for equity financing for working capital and exploration and development of its properties. Because of continuing operating losses, the Company’s continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operation. Material uncertainties as mentioned above cast significant doubt upon the Company’s ability to continue as a going concern.

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

Emerita Resources Corp.

Notes to the Consolidated Financial Statements

For the years ended September 30, 2019 and 2018

Expressed in Canadian Dollars

2. BASIS OF PRESENTATION

Statement of compliance

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

Basis of presentation

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

These consolidated financial statements include the accounts of the Company and its subsidiaries. All material intercompany transactions and balances between subsidiaries have been eliminated on consolidation. The Company holds a 50% interest in Cantabrica del 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 6.

Approval of the consolidated financial statements

These consolidated financial statements of the Company for the year ended September 30, 2019 were reviewed, approved and authorized for issue by the Board of Directors of the Company on January 28, 2020.

3. CHANGES IN ACCOUNTING POLICY

During the year ended September 30, 2019, the Company changed its accounting policy of capitalizing exploration and evaluation expenditures. The Company believes that expensing such costs as incurred provides more reliable and relevant financial information. Cost of exploration properties, including the cost of acquiring prospective properties and exploration rights, and exploration and evaluation costs are expensed until it has been established that a mineral property is commercially viable. Previously, the Company capitalized these amounts. The Company also applied this change in accounting policy to the underlying policies of its associates, resulting in additional changes. The consolidated financial statements for the year ended September 30, 2018 have been restated to reflect adjustments made as a result of this change in accounting policy.

The following is a reconciliation of the Company’s consolidated financial statements as at September 30, 2018 and October 1, 2017.

Emerita Resources Corp.

Notes to the Consolidated Financial Statements
For the years ended September 30, 2019 and 2018
Expressed in Canadian Dollars

3. CHANGES IN ACCOUNTING POLICY (continued)

Consolidated Statement of Financial Position	As at September 30, 2018		
	As previously reported	Adjustment	Restated
ASSETS			
Current			
Cash	\$ 31,325	\$ -	\$ 31,325
Amounts receivable	169,935	-	169,935
Prepaid expenses	18,059	-	18,059
Total current assets	219,319	-	219,139
Long-term			
Reclamation deposit	17,273	-	17,273
Equipment	16,941	-	16,941
Investment in associate	243,024	(243,024)	-
Exploration and evaluation properties	397,494	(397,494)	-
Total assets	\$ 894,051	\$ (640,518)	\$ 253,533
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	\$ 2,049,613	\$ -	\$ 2,049,613
Total liabilities	2,049,613	-	2,049,613
SHAREHOLDERS' EQUITY/(DEFICIENCY)			
Common shares	11,775,614	-	11,775,614
Warrant reserve	951,105	-	951,105
Option reserve	348,000	-	348,000
Deficit	(14,230,281)	(640,518)	(14,870,799)
Total shareholders' equity/(deficiency)	(1,155,562)	(640,518)	(1,796,080)
Total liabilities and shareholders' equity	\$ 894,051	\$ (640,518)	\$ 253,533

Emerita Resources Corp.

Notes to the Consolidated Financial Statements
For the years ended September 30, 2019 and 2018
Expressed in Canadian Dollars

3. CHANGES IN ACCOUNTING POLICY (continued)

Consolidated Statement of Financial Position	As at October 1, 2017		
	As previously reported	Adjustment	Restated
ASSETS			
Current			
Cash	\$ 518,719	\$ -	\$ 518,719
Amounts receivable	109,003	-	109,003
Prepaid expenses	28,912	-	28,912
Total current assets	656,634	-	656,634
Long-term			
Reclamation deposit	16,952	-	16,952
Equipment	13,585	-	13,585
Investment in associate	-	-	-
Exploration and evaluation properties	477,494	(477,494)	-
Total assets	\$ 1,164,665	\$ (477,494)	\$ 687,171
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	\$ 2,116,818	\$ -	\$ 2,116,818
Total liabilities	2,116,818	-	2,116,818
SHAREHOLDERS' EQUITY			
Common shares	8,523,762	-	8,523,762
Warrant reserve	227,950	-	227,950
Option reserve	354,000	-	354,000
Deficit	(10,057,865)	(477,494)	(10,535,359)
Total shareholders' equity/(deficiency)	(952,153)	(477,494)	(1,429,647)
Total liabilities and shareholders' equity	\$ 1,164,665	\$ (477,494)	\$ 687,171

Consolidated Statement of Loss and Comprehensive Loss

	For the year ended September 30, 2018		
	As previously reported	Adjustment	Restated
Expenses			
Project evaluation expenses	\$ 635,920	\$ 2,192,408	\$ 2,828,328
Other general and administrative costs	1,439,530	-	1,439,530
(Loss) for the year before other items	(2,075,450)	(2,192,408)	(4,267,858)
Other items			
Exploration and evaluation property writeoff	(2,272,408)	2,272,408	-
Loss on investment in associate	-	(243,024)	(243,024)
Interest income	3,464	-	3,464
Foreign exchange gain/(loss)	(59,260)	-	(59,260)
Comprehensive (loss) for the year	\$ (4,403,654)	\$ (163,024)	\$ (4,566,678)

Emerita Resources Corp.

Notes to the Consolidated Financial Statements For the years ended September 30, 2019 and 2018 Expressed in Canadian Dollars

3. CHANGES IN ACCOUNTING POLICY (continued)

Consolidated Statement of Cash Flow	For the year ended September 30, 2018		
	As previously reported	Adjustment	Restated
Cash (used in)/provided by:			
Operating activities			
Net loss for the year	\$ (4,403,654)	\$ (163,024)	\$ (4,566,678)
Adjustments for items not affecting cash:			
Exploration and evaluation property writeoff	2,272,408	(2,272,408)	-
Loss from investment in associate	-	243,024	243,024
Amortization	3,811	-	3,811
Working capital adjustments	(117,284)	119,679	2,395
Net cash flows (used in) operating activities	(2,244,719)	(2,072,729)	(4,317,448)
Investing activities			
Property, plant and equipment	(7,167)	-	(7,167)
Investment in associate	(243,024)	-	(243,024)
Exploration and evaluation properties	(2,072,729)	2,072,729	-
Net cash flows (used in) investing activities	(2,322,920)	2,072,729	(250,191)
Financing activities			
Proceeds from issuance of common shares	4,342,600	-	4,342,600
Cost of issue	(272,355)	-	(272,355)
Warrants exercised	10,000	-	10,000
Net cash flows provided by investing activities	4,080,245	-	4,080,245
Increase/decrease in cash during the year	(487,394)	-	(487,394)
Cash, beginning of year	518,719	-	518,719
Cash, end of year	31,325	-	31,325

Accounting changes

During the year ended September 30, 2019, the Company adopted a number of new IFRS standards, interpretations, amendments and improvements of existing standards. These included IFRS 2, IAS 28, and IFRIC 22. These new standards did not have any material impact on the Company's financial statements.

Effective October 1, 2018, the Company adopted IFRS 9, *Financial Instruments: Recognition and Measurement*. IFRS 9 introduces new requirements for the classification, measurement and impairment of financial assets and hedge accounting. It establishes two primary measurement categories for financial assets: (i) amortized cost and (ii) fair value either through profit or loss ("FVPL") or through other comprehensive income ("FVOCI"); establishes criteria for the classification of financial assets within each measurement category based on business model and cash flow characteristics; and eliminates the existing held for trading, held to maturity, available for sale, loans and receivables and other financial liabilities categories. IFRS 9 also introduces a new expected credit loss model for the purpose of assessing the impairment of financial assets and requires that there be a demonstrated economic relationship between a hedged item and a hedging instrument.

Emerita Resources Corp.

Notes to the Consolidated Financial Statements

For the years ended September 30, 2019 and 2018

Expressed in Canadian Dollars

3. CHANGES IN ACCOUNTING POLICY (continued)

Accounting changes (continued)

The following table shows the previous classification under IAS 39 and the new classification under IFRS 9 for the Company's financial instruments:

	Financial instrument classification	
	Under IAS 39	Under IFRS 9
Financial assets		
Cash	Loans and receivables	Amortized cost
Amounts receivable	Loans and receivables	Amortized cost
Financial liabilities		
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Long-term loans payable	Other financial liabilities	Amortized cost

The Company adopted IFRS 9 retrospectively without restating comparatives and therefore the comparative information in respect of financial instruments for the year ended September 30, 2018 was accounted for in accordance with the Company's previous accounting policy under IAS 39. Significant accounting policies which outline the current and previous accounting policies pertaining to financial instruments can be found in Note 4.

4. SIGNIFICANT ACCOUNTING POLICIES

Critical judgements and estimation uncertainties

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

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

Assets' carrying values and impairment charges

In the determination of carrying values and impairment charges, management looks at the higher of recoverable amount or fair value less costs to sell in the case of assets and at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

Emerita Resources Corp.

Notes to the Consolidated Financial Statements

For the years ended September 30, 2019 and 2018

Expressed in Canadian Dollars

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Critical judgements and estimation uncertainties (continued)

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 15.

Joint arrangement

The Company has a joint arrangement with the Aldesa Group. The Company has joint control over this arrangement as under the contractual agreement with the Aldesa Group, unanimous consent is required from all parties to the agreements for certain key strategic, operating, investing and financing policies. The Company's joint arrangement is structured as a corporation (JV Company) and provides the Company and the Aldesa Group (parties to the agreements) with rights to the net assets of the limited company under the arrangements. Therefore, this arrangement has been classified as a joint venture and has been recorded as an investment in associate. See Note 6.

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.

Emerita Resources Corp.

Notes to the Consolidated Financial Statements

For the years ended September 30, 2019 and 2018

Expressed in Canadian Dollars

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Critical judgements and estimation uncertainties (continued)

Subsidiaries

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 financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

Joint Venture

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 to the extent of the Company's interest in the joint ventures. Unrealized losses are also 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.

Equipment

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

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

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

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

Emerita Resources Corp.

Notes to the Consolidated Financial Statements

For the years ended September 30, 2019 and 2018

Expressed in Canadian Dollars

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Assets and Liabilities

Accounting policy under IFRS 9 applicable from October 1, 2018

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 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 statements of earnings (loss). The Company does not measure any financial assets 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 income (loss). When the investment is sold, the cumulative gain or loss remains in accumulated other comprehensive income or loss and is not reclassified to profit or loss.

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

Derecognition

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

Emerita Resources Corp.

Notes to the Consolidated Financial Statements

For the years ended September 30, 2019 and 2018

Expressed in Canadian Dollars

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Assets and Liabilities (continued)

Impairment of financial assets

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 loans payable, which are each measured at amortized cost. All financial liabilities are recognized initially at fair value and in the case of long-term loans 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 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 statements of loss.

Accounting policy under IAS 39 applicable prior to October 1, 2018

The accounting policy under IAS 39 for the comparative information presented in respect of financial assets and liabilities is as follows:

All financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial assets and liabilities are offset, and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Emerita Resources Corp.

Notes to the Consolidated Financial Statements
For the years ended September 30, 2019 and 2018
Expressed in Canadian Dollars

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Assets and Liabilities (continued)

At initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

- a) Financial assets and liabilities at fair value through profit or loss ("FVTPL"): A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Derivatives are also included in this category unless they are designated as hedges. Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the statements of loss.

Gains and losses arising from changes in fair value are presented in the statements of loss within other gains and losses in the period in which they arise.

Financial assets and liabilities at fair value through profit or loss are classified as current except for the portion expected to be realized or paid beyond twelve months of the reporting date, which is classified as non-current.

- b) Available-for-sale investments: Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. Available-for-sale investments are recognized initially at fair value plus transaction costs and are subsequently carried at fair value. Gains or losses arising from changes in fair value are recognized in other comprehensive loss. Available-for-sale investments are classified as non-current, unless the investment matures within twelve months, or management expects to dispose of them within twelve months. When an available-for-sale investment is sold or impaired, the accumulated gains or losses are moved from accumulated other comprehensive loss to the statements of loss and comprehensive loss and are included in other gains and losses.
- c) Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.
- d) Other financial liabilities: Other financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest and any transaction costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or (where appropriate) to the net carrying amount on initial recognition. Other financial liabilities are derecognized when the obligations are discharged, cancelled or expired.

Impairment of financial assets (including receivables):

At each reporting date, the Company assesses whether there is objective evidence that a financial asset not carried at fair value through profit or loss is impaired, and whether the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise or indicators that a debtor or issuer will enter bankruptcy. If such evidence exists, the Company recognizes an impairment loss, as follows:

Emerita Resources Corp.

Notes to the Consolidated Financial Statements

For the years ended September 30, 2019 and 2018

Expressed in Canadian Dollars

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Assets and Liabilities (continued)

- a) Financial assets carried at amortized cost: The loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. Losses are recognized in profit or loss and the carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.
- b) Available-for-sale financial assets: The impairment loss is the difference between the original cost of the asset and its fair value at the measurement date, less any impairment losses previously recognized in the statements of loss and comprehensive loss. This amount represents the cumulative loss in accumulated other comprehensive loss that is reclassified to net loss.
- c) Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and can be related objectively to an event occurring after the impairment was recognized. Impairment losses on available-for-sale equity instruments are not reversed.

Impairment of non-financial assets:

At the end of each reporting period and when events or changes in circumstances indicate that the carrying amounts of non-financial assets might not be recoverable, the Company reviews and evaluates the recoverable amount of its tangible and intangible assets, including its exploration and evaluation properties, to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). If the recoverable amount is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognized immediately in the statements of loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in loss.

Emerita Resources Corp.

Notes to the Consolidated Financial Statements

For the years ended September 30, 2019 and 2018

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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Assets and Liabilities (continued)

Fair value of financial instruments

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

Exploration and evaluation properties

All expenditures on exploration and evaluation activities, including costs incurred to acquire and secure exploration property licenses, are recorded as project evaluation expenses until it has been established that a mineral property is commercially viable. Refer to Note 3.

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 subsidiaries 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 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 income/loss, in which case the income tax is recognized in equity or other comprehensive income/loss.

Emerita Resources Corp.

Notes to the Consolidated Financial Statements

For the years ended September 30, 2019 and 2018

Expressed in Canadian Dollars

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes (continued)

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to set off the amounts, and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously. Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, on a non-discounted basis using tax rates at the end of the reporting period applicable to the period of expected realization. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity settled share-based transactions are set out in the equity reserves note (Note 9).

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 the Company's outstanding stock options and warrants were anti-dilutive for the years ended September 30, 2019 and 2018.

Emerita Resources Corp.

Notes to the Consolidated Financial Statements

For the years ended September 30, 2019 and 2018

Expressed in Canadian Dollars

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

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

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

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

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

Rehabilitation provisions

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

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

The Company does not currently have any such significant legal or constructive obligations and therefore, no rehabilitation provision has been recorded as at September 30, 2019 or 2018.

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, 2019. 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.

Emerita Resources Corp.

Notes to the Consolidated Financial Statements

For the years ended September 30, 2019 and 2018

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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Future accounting changes (continued)

IAS 1 – Presentation of Financial Statements (“IAS 1”) and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors (“IAS 8”) were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. Earlier adoption is permitted.

IFRS 3 – Business Combinations (“IFRS 3”) was amended in October 2018 to clarify the definition of a business. This amended definition states that a business must include inputs and a process and clarified that the process must be substantive and the inputs and process must together significantly contribute to operating outputs. In addition it narrows the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs and added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. Earlier 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 16 – Leases (“IFRS 16”) was issued in January 2016 and replace IAS 17 – Leases as well as some lease-related interpretations. With certain exceptions for leases under twelve months in length or for assets of low value, 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 retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 requires that lessors classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise, it is an operating lease. IFRS 16 is effective for annual periods beginning on or after January 1, 2019.

5. EQUIPMENT

	Office Equipment	Office Furniture	Software	Total
Cost as at September 30, 2017	\$ 20,703	\$ 18,253	\$ 1,881	\$ 40,837
Additions, 2018	6,009	1,158	-	7,167
Cost as at September 30, 2018 and 2019	\$ 26,712	\$ 19,411	\$ 1,881	\$ 48,004
Accumulated amortization as at September 30, 2017	\$ 17,125	\$ 8,246	\$ 1,881	\$ 27,252
Charge for the year, 2018	1,928	1,883	-	3,811
Accumulated amortization as at September 30, 2018	19,053	10,129	1,881	31,063
Charge for the year, 2019	3,093	3,800	-	6,893
Accumulated amortization as at September 30, 2019	\$ 22,146	\$ 13,929	\$ 1,881	\$ 37,956
Net book value as at September 30, 2018	\$ 7,659	\$ 9,282	\$ -	\$ 16,941
Net book value as at September 30, 2019	\$ 4,566	\$ 5,482	\$ -	\$ 10,048

Emerita Resources Corp.

Notes to the Consolidated Financial Statements

For the years ended September 30, 2019 and 2018

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6. 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 Santillana Syncline (the “Plaza Norte Project”). The Plaza Norte Project is in the Reocin Basin in Cantabria, Spain. The rights to the Plaza Norte Project expired on January 20, 2020. The Company has submitted a request for extension for an additional term of 3 years and is awaiting approval by the mining authorities. The Company and Aldesa each own a 50% interest in Cantabrica del Zinco S.L. (“Cantabrica”), a corporation registered in Spain, and will be equally represented on the board of directors. Emerita is the operator of the Plaza Norte Project. The Company recognizes its jointly controlled interest in the joint venture relationship with Aldesa as an investment in associate. Effective October 26, 2017, the Company accounts for this investment in associate using the equity method.

Changes in the investment in associate for the year ended September 30, 2019 were as follows:

	\$
Balance, September 30, 2017	-
Investment in associate	243,024
Loss from investment in associate, equity method	(243,024)
Balance, September 30, 2018	-
Investment in associate	722,857
Loss from investment in associate, equity method	(722,857)
Balance, September 30, 2019	-

The fiscal year end for Cantabrica is September 30, 2019, which is consistent with the year end of the Company. The following is a summary of the financial information for Cantabrica as at September 30, 2019 and 2018:

Cantabrica del Zinco S.L.

	30-Sep-19	30-Sep-18
Cash and cash equivalents	\$ 30,790	\$ 56,644
Current assets	111,688	156,789
Property, plant and equipment	14,025	16,039
Current liabilities	(547,827)	(178,861)
Long-term liabilities	(1,515,589)	(269,732)
Year ended	30-Sep-19	30-Sep-18
Operating expenses	\$ (1,639,752)	\$ (526,326)
Net loss and comprehensive loss	(1,639,752)	(526,326)

The Company accounts for its 50% interest in the investment in associate using the equity method. The 50% share of the loss from the investment in associate's operations attributable to the Company for the year ended September 30, 2019 was \$819,876. As the losses exceed the amount of the Company's interest in the investment in associate, \$97,019 of the losses have not been reflected in the Company's consolidated statement of loss and comprehensive loss for the year ended September 30, 2019. The cumulative share of losses from the investment in associate's operations attributable to the Company that has not been recognized on the Company's consolidated statement of loss and comprehensive loss is \$117,158 at September 30, 2019.

Emerita Resources Corp.
Notes to the Consolidated Financial Statements
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7. EXPLORATION AND EVALUATION EXPENDITURES

	2019	2018
Land management fees, taxes and permits	\$ 20,113	\$ 376,539
Labour	(41,671)	275,284
Drilling and geophysics	-	400,447
Technical reports	685	41,941
Travel, meals and accomodations	12,360	102,603
Legal fees	10,873	309,581
Project overhead costs	38,753	1,321,933
Total exploration and evaluation expenditures	\$ 41,113	\$ 2,828,328

As at September 30, 2019, the Company has valid permits for one gold exploration property, one zinc exploration property held through the Company's joint arrangement with the Aldesa Group, and one lithium property in Brazil. The gold property is comprised of exploration permits that were issued by the Asturias regulatory authorities in Spain. The zinc property is comprised of exploration permits that were issued by the Cantabrian regulatory authorities in Spain.

a) Falcon Lito Property

- In June 2016, the Company entered into a binding letter agreement (the "Falcon Agreement") with Falcon Metais Ltda. ("Falcon") pursuant to which Falcon granted to Emerita an option to acquire a 100% interest in the Falcon Lito MG Project (the "Lito Project"). The Lito Project is located in Minas Gerais State, Brazil, and is comprised of five exploration permits and one application for exploration permits.
- In order to acquire the option, Emerita issued 100,000 common shares to Falcon in June 2016, at a price per share of \$0.775 based on the quoted market value of the shares on the date of issuance. An additional 100,000 common shares were issued on August 28, 2017 at a price per share of \$0.60 based on the quoted market value of the shares on the date of issuance. On September 12, 2018, the Company exercised its option and acquired a 100% interest in the Falcon Project by issuing a third tranche of 100,000 common shares to Falcon at a price per share of \$0.20, based on the quoted market value of the shares on the date of issuance. All issuances of common shares of Emerita are subject to a statutory hold period and to approval by the TSXV. Falcon will retain a transferable 2% net smelter royalty on all commercial sales from the Lito Project.
- In addition, if a "mineral resource", as defined in National Instrument 43-101 ("NI 43-101"), of at least 20 million tonnes with a grade of at least 1.3% LiO₂ is delineated at the project, Emerita shall either, (i) pay \$5 million in cash to Falcon or, by its sole discretion, (ii) issue \$5 million worth (to be determined on a reasonable volume weighted average price basis) of common shares to Falcon (the "Resource Consideration").
- The Resource Consideration shall only be paid by Emerita if (i) the mineral resource is verified by a qualified person", as such term is defined in NI 43-101, who is independent of Emerita and Falcon, and (ii) at least 50% of the mineral resource is categorized as an "indicated mineral resource" or measured mineral resource", as defined in NI 43-101.

Emerita Resources Corp.

Notes to the Consolidated Financial Statements

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7. EXPLORATION AND EVALUATION EXPENDITURES (continued)

b) Las Morras Property

- The original exploration permit for Las Morras Property was comprised of 230 claims. The original exploration permit for Las Morras was granted in 2012 with an expiry date of April 17, 2015 subject to a right of renewal for an additional three-year term. The Company applied for an additional three-year term and received approval of the renewal for a period of two years on August 20, 2015. A subsequent renewal for an additional period of two years was granted on January 20, 2017. The permit expired and was terminated in January 2019.
- On November 14, 2017 the Company entered into a binding letter agreement with Copper One Inc. ("Copper One") pursuant to which the Company granted an option to acquire a 100% interest in the Las Morras Project. As consideration for the option, Copper One paid \$25,000 in cash to the Company on November 17, 2017 and paid an additional \$75,000 in cash to the Company on January 9, 2018. The option agreement was terminated during the year ended September 30, 2019.

c) Sierra Alta Property

- The Sierra Alta Property is comprised of one exploration permit which consists of 90 mining claims in the Asturias region in northwestern Spain. The Company applied for the permit on November 18, 2013 and received notice that the property had been granted on July 8, 2015 through the publication of the granting in the regional gazette. From that date, the concession is valid for a three year term and is renewable for equal and successive periods of three years. The permit was renewed in July 2017 and will expire on July 21, 2020.

d) Salobro Zinc Property

- The project is comprised of two mining applications in the Municipality of Porteirinha, Minas Gerais State, Brazil. On July 14, 2017, the Company entered a definitive agreement with Vale S.A. ("Vale") and IMS Engenharia Mineral Ltda. ("IMS") to acquire the project. On October 5, 2017, the Company received conditional approval from the TSX-V to complete the acquisition.
- Pursuant to the definitive agreement, Emerita agreed to pay USD\$6.5 million in cash to Vale over a 7-year period.
- The rights to the Salobro Project were subject to litigation between Vale and IMS. In connection with this Transaction, Vale withdrew its claims pending against IMS in the Civil Court of Belo Horizonte in respect of the amounts Vale claims was owing to it in relation to IMS's previous acquisition of the Salobro Project. The Company paid Vale's legal fees and court costs in connection with withdrawing such claims (approximately \$315,000 in total).
- A Brazilian subsidiary was incorporated to hold the Salobro Project in trust for Vale until the consideration was fully paid by Emerita.
- As consideration for IMS transferring the rights to the Salobro Project to the Brazilian subsidiary, the Company issued 1,000,000 of its common shares to IMS on March 15, 2018.
- Upon completion of the initial diamond drill program and analysis of the assays results, the Company terminated its option agreement on October 3, 2018 after attempts to renegotiate the payment terms were unsuccessful.

Emerita Resources Corp.

Notes to the Consolidated Financial Statements

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8. COMMON SHARES

Authorized

At September 30, 2019 and 2018, the authorized share capital consisted of an unlimited number of common shares without par value.

Common Shares Issued

	Number of shares	
	outstanding	Amount
Balance, September 30, 2017	19,413,965	\$ 8,523,762
Mineral Property Option Acquisition (i,iii)	300,000	120,000
Private placement, net of issuance costs (ii)	8,685,200	4,070,245
Warrant valuation (v)	-	(953,393)
Warrant exercise	20,000	10,000
Valuation allocation of exercise of warrants	-	5,000
Balance, September 30, 2018	28,419,165	\$ 11,775,614
Private placement, net of issuance costs (vi,vii)	22,195,000	2,028,274
Warrant valuation (vi,vii)	-	(108,800)
Balance, September 30, 2019	50,614,165	\$ 13,695,088

- (i) On June 13, 2016, the Company entered into a binding letter agreement with Falcon Metais Ltda., granting the Company an option to acquire a 100% interest in the Falco Lito MG project on or before June 13, 2018. In order to acquire the option, the Company issued 100,000 common shares at a price per share of \$0.775 based on the quoted market price of the shares on the date of issuance. An additional 100,000 common shares were issued on August 28, 2017 at a price per share of \$0.60 based on the quoted market price of the shares on the date of issuance. A final 100,000 common shares were issued on September 12, 2018 at a price per share of \$0.20 based on the quoted market price of the shares on the date of issuance.
- (ii) On December 20, 2017, the Company completed a private placement financing by issuing 8,685,200 units at a price of \$0.50 per unit for gross proceeds of \$4,342,600. Each "unit" is comprised of one common share and one half of one common share purchase warrant. Each warrant is exercisable at a price of \$1.00 per full warrant until December 20, 2019. The fair value of the 4,342,600 warrants issued was estimated at \$811,225 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 135%; risk-free interest rate of 1.63% and an expected life of 2 years. In addition, 419,419 finder warrants were granted. Each finder warrant is exercisable at a price of \$0.50 per unit until December 20, 2019. The fair value of the finder warrants was estimated at \$139,880 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 135%; risk-free interest rate of 1.63% and an expected life of 2 years.
- (iii) On March 15, 2018, the Company completed the acquisition of the Salobro zinc project. Pursuant to the terms of the transaction, the Company issued 200,000 common shares to IMS Engenharia Mineral Ltda. ("IMS"), at a price per share of \$0.50 based on the quoted market price of the shares on the date of issuance.

Emerita Resources Corp.

Notes to the Consolidated Financial Statements For the years ended September 30, 2019 and 2018 Expressed in Canadian Dollars

8. COMMON SHARES (continued)

Common Shares Issued (continued)

- (iv) On May 16, 2019, the Company completed a 5:1 share consolidation. Prior to the consolidation, the Company had 142,095,829 common shares outstanding, and following the consolidation had 28,419,165 common shares outstanding. All current and comparative common shares and per share amounts in these consolidated financial statements have been retroactively adjusted to reflect this share consolidation.
- (v) On May 16, 2018, the Company received approval from the TSXV to extend to August 20, 2018 the expiry date of 3,290,000 purchase warrants that were previously set to expire on May 20, 2018. The adjustment to the fair value of the warrants issued was estimated at \$2,288 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 97%; risk-free interest rate of 1.93% and an expected life of 0.28 years.
- (vi) On May 23, 2019, the Company completed the first tranche of a private placement financing by issuing 20,750,000 common shares at a price of \$0.10 per share for gross proceeds of \$2,075,000. The Company paid \$56,248 in legal fees, \$114,725 in finders' fees and issued 1,337,550 broker options. Each broker option is exercisable into one common share of the Company at a price of \$0.10 per option until May 23, 2021. The fair value of the broker options issued was estimated at \$101,300 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 171%; risk-free interest rate of 1.58% and an expected life of 2 years.
- (vii) On July 12, 2019, the Company completed the second tranche of financing by issuing 1,445,000 common shares at a price of \$0.10 per share for gross proceeds of \$144,500. The Company paid \$20,253 in finders fees and issued 106,350 broker warrants. Each broker warrant is exercisable into one common share of the Company at a price of \$0.10 per option until July 12, 2021. The fair value of the broker options issued was estimated at \$7,500 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 169%; risk-free interest rate of 1.58% and an expected life of 2 years.

9. EQUITY RESERVES

Warrants

The changes in warrants issued during the years ended September 30, 2019 and 2018 are as follows:

	Number of warrants	Weighted average exercise price	Value of warrants
Balance, September 30, 2017	4,128,800	\$ 0.50	\$ 227,950
Exercised, November 2017	(20,000)	0.50	(5,000)
Granted, December 2017	4,762,019	1.00	951,105
Expired, December 2017	(780,000)	0.50	(48,750)
Expired, May 2018	(38,800)	0.50	(9,700)
Extension, May 2018	-	0.50	2,288
Expired, August 2018	(3,290,000)	0.50	(166,788)
Balance, September 30, 2018	4,762,019	\$ 1.00	\$ 951,105
Granted, May 2019	1,337,550	0.10	101,300
Granted, July 2019	106,350	0.10	7,500
Balance, September 30, 2019	6,205,919	\$ 0.76	\$ 1,059,905

Emerita Resources Corp.

Notes to the Consolidated Financial Statements For the years ended September 30, 2019 and 2018

Expressed in Canadian Dollars

9. EQUITY RESERVES (continued)

Warrants (continued)

On May 16, 2019, the Company completed a 5:1 share consolidation. Prior to the consolidation, the Company had 23,810,095 warrants outstanding, and following the consolidation had 4,762,019 warrants outstanding as at September 30, 2018. All current and comparative warrant and warrant exercise amounts in these consolidated financial statements have been retroactively adjusted to reflect the share consolidation.

2,097,095 warrants can be exercised into one common share and one half of one common share purchase warrant.

The following summarizes the warrants outstanding as of September 30, 2019:

Number outstanding #	Number exercisable #	Grant date	Expiry date	Exercise price \$	Estimated grant date fair value \$	Volatility	Risk-free interest rate	Expected life (Yrs) #	Expected dividend yield
4,342,600	4,342,600	20-Dec-17	20-Dec-19	\$1.00	811,225	135%	1.63%	2.00	0%
419,419	419,419	20-Dec-17	20-Dec-19	\$1.00	139,880	135%	1.63%	2.00	0%
1,337,550	1,337,550	23-May-19	23-May-21	\$0.10	101,300	171%	1.58%	2.00	0%
106,350	106,350	12-Jul-19	12-Jul-21	\$0.10	7,500	169%	1.58%	2.00	0%
6,205,919	6,205,919				1,059,905				

The weighted-average remaining contractual life of the warrants as of September 30, 2019 is 0.56 years (2018 1.22 years).

Share-based payments

The changes in stock options issued during the years ended September 30, 2019 and 2018 are as follows:

	Number of options	Weighted average exercise price	Estimated grant date fair value
Balance, September 30, 2017	1,140,000	\$ 0.50	\$ 354,000
Expired, November 25, 2017	(40,000)	0.50	(4,000)
Expired, March 1, 2018	(40,000)	0.25	(2,000)
Balance, September 30, 2018	1,060,000	\$ 0.10	\$ 348,000
Expired, May 2019	(10,000)	0.50	(3,500)
Expired, September 2019	(20,000)	0.50	(1,400)
Balance, September 30, 2019	1,030,000	\$ 0.50	\$ 343,100

On May 16, 2019, the Company completed a 5:1 share consolidation. Prior to the consolidation, the Company had 5,300,000 options outstanding, and following the consolidation had 1,060,000 options outstanding as at September 30, 2018. All current and comparative option and option exercise amounts in these consolidated financial statements have been retroactively adjusted to reflect the share consolidation.

Emerita Resources Corp.

Notes to the Consolidated Financial Statements For the years ended September 30, 2019 and 2018

Expressed in Canadian Dollars

9. EQUITY RESERVES (continued)

Share-based payments (continued)

Options outstanding as of September 30, 2019 are as follows:

Number outstanding #	Number exercisable #	Grant date	Expiry date	Exercise price \$	Estimated grant date fair value \$	Volatility	Risk-free interest rate	Expected life (Yrs) #	Expected dividend yield
770,000	770,000	29-Aug-16	29-Aug-21	\$0.50	275,100	128%	0.72%	5.00	0%
30,000	30,000	08-Sep-16	08-Sep-21	\$0.50	10,500	128%	0.68%	5.00	0%
230,000	230,000	24-Oct-16	24-Oct-21	\$0.50	57,500	111%	0.53%	5.00	0%
1,030,000	1,030,000				343,100				

The weighted average remaining contractual life of the options as at September 30, 2019 is 1.95 years (2018 – 2.95 years).

10. CAPITAL MANAGEMENT

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

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

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

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no significant changes in the Company's approach to capital management during the years ended September 30, 2019 and 2018.

The Company and its subsidiaries are not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSX Venture Exchange ("TSXV") which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required to maintain operations and cover general and administrative expenses for a period of 6 months. As at September 30, 2019, the Company may not be compliant with the policies of the TSXV. The impact of this violation is not known and is ultimately dependent on the discretion of the TSXV.

On December 7, 2018, the Company entered into loan agreements with unrelated parties for a total principal amount of \$204,630. Interest expense of \$79,437 (40% of the principal amounts) was paid in relation to these agreements. The loans were repaid on June 19, 2019.

On December 7, 2018, the Company entered into a loan agreement with an unrelated party for a total principal amount of \$250,000. The loan is unsecured and interest accrues at 18% per annum. The loan is due and payable on December 5, 2020, settled either in cash or shares at the lender's option.

Emerita Resources Corp.

Notes to the Consolidated Financial Statements

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11. FINANCIAL INSTRUMENTS

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

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

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

The Company's financial instruments include cash, amounts receivable, loans payable, and accounts payable and accrued liabilities. The carrying values of these financial instruments reported in the statement of financial position approximate their respective fair values due to the relatively short-term nature of these instruments. As at September 30, 2019 and 2018, the Company had no instruments to classify in the fair value hierarchy.

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

(a) *Credit risk*

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

a. *Trade credit risk*

The Company is not exposed to significant trade credit risk.

b. *Cash*

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

(b) *Currency risk*

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

Emerita Resources Corp.

Notes to the Consolidated Financial Statements

For the years ended September 30, 2019 and 2018

Expressed in Canadian Dollars

11. FINANCIAL INSTRUMENTS (continued)

As at September 30, 2019 and 2018, the Company had the following financial instruments and denominated in foreign currency (expressed in Canadian dollars):

September 30, 2019			
	Euro	US dollars	Brazilian reals
Cash	\$ 36,852	\$ 614	\$ 1,326
Accounts payable and accrued liabilities	(30,856)	(647,932)	(196,078)
	\$ 5,996	\$ (647,318)	\$ (194,752)

September 30, 2018			
	Euro	US dollars	Brazilian reals
Cash	\$ 17,516	\$ 7,224	\$ 1,505
Accounts payable and accrued liabilities	(303,808)	(459,372)	(413,370)
	\$ (286,292)	\$ (452,148)	\$ (411,865)

A 10% strengthening (weakening) of the Canadian dollar against the Euro would decrease (increase) net loss by approximately \$600 (2018 - \$29,000).

A 10% strengthening (weakening) of the Canadian dollar against the US dollar would decrease (increase) net loss by approximately \$65,000 (2018 - \$45,000).

A 10% strengthening (weakening) of the Canadian dollar against the Brazilian real would decrease (increase) net loss by approximately \$19,500 (2018 - \$41,000).

(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, 2019, the Company had a cash balance of \$69,783 (September 30, 2018 - \$31,325) to settle current liabilities and other liabilities of \$1,835,313 (September 30, 2018 - \$2,049,613). The Company's trade payables have contractual maturities of less than 30 days and are subject to normal trade terms.

(d) *Commodity / Equity price risk*

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

Emerita Resources Corp.
Notes to the Consolidated Financial Statements
For the years ended September 30, 2019 and 2018
Expressed in Canadian Dollars

12. RELATED PARTY TRANSACTIONS

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

As at September 30, 2019, an amount of \$1,261,876, included in accounts payable, were owed to directors and officers of the Company (September 30, 2018 - \$920,873). The amounts outstanding on fees are unsecured, non-interest bearing, with no fixed terms of repayment.

On September 30, 2019, the Company entered into agreements with certain directors and officers relating to existing liability balances. These agreements allow for the forgiveness of \$1,005,602 in amounts owing to these directors and officers upon the non-occurrence of some future event. As a triggering event has not yet occurred, this contingent debt forgiveness has not been recognized in these financial statements. Refer to Note 15.

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, 2019 and 2018, the remuneration of directors and other key management personnel are as follows:

	Year ended September 30,	
	2019	2018
Management fees	\$ 488,544	\$ 728,148

A payroll advance of €25,887 (\$37,376) was paid to Joaquin Merino-Marquez, the President of the Company, by the Company's subsidiary, Emerita Espana, during the year ended September 30, 2019 (2018 - \$nil).

In connection with the May 23, 2019 private placement (see Note 8(vi)), officers and directors of the Company subscribed for 500,000 common shares of the Company for total proceeds of \$50,000.

In connection with the July 12, 2019 private placement (see Note 8(vii)), officers and directors of the Company subscribed for 45,000 common shares of the Company for total proceeds of \$4,500.

In connection with the December 20, 2017 private placement (see Note 8(ii)), officers and directors of the Company subscribed for 850,000 units of the Company for total proceeds of \$425,000.

13. SEGMENT INFORMATION

The Company conducts its business as a single operating segment, being mineral exploration and evaluation in Spain and Brazil. The following tables summarize the total assets and liabilities by geographic segment as at September 30, 2019 and 2018:

Emerita Resources Corp.

Notes to the Consolidated Financial Statements

For the years ended September 30, 2019 and 2018

Expressed in Canadian Dollars

13. SEGMENT INFORMATION (continued)

September 30, 2019	Spain	Canada	Brazil	Total
Cash	\$ 36,852	\$ 31,605	\$ 1,326	\$ 69,783
Other current assets	74,133	93,614	33	167,780
Reclamation deposit	16,604	-	-	16,604
Property, plant and equipment	6,495	-	3,553	10,048
Total Assets	\$ 134,084	\$ 125,219	\$ 4,912	\$ 264,215

Accounts payable and accrued liabilities	\$ 30,856	\$ 602,777	\$ 196,078	\$ 829,711
Other liabilities	-	1,005,602	-	1,005,602
Long-term loans payable	-	284,149	-	284,149
Total liabilities	\$ 30,856	\$ 1,892,528	\$ 196,078	\$ 2,119,462

September 30, 2018	Spain	Canada	Brazil	Total
Cash	\$ 17,516	\$ 12,304	\$ 1,505	\$ 31,325
Other current assets	83,892	104,037	65	187,994
Reclamation deposit	17,273	-	-	17,273
Property, plant and equipment	11,572	-	5,369	16,941
Total Assets	\$ 130,253	\$ 116,341	\$ 6,939	\$ 253,533

Accounts payable and accrued liabilities	\$ 303,808	\$ 1,332,435	\$ 413,370	\$ 2,049,613
Total liabilities	\$ 303,808	\$ 1,332,435	\$ 413,370	\$ 2,049,613

The following tables summarize the loss by geographic segment for the years ended September 30, 2019 and 2018:

September 30, 2019	Spain	Canada	Brazil	Total
Other income	\$ -	\$ (781)	\$ -	\$ (781)
Project evaluation expenses	196,705	(222,346)	66,754	41,113
General and administrative expenses	-	1,233,722	-	1,233,722
Losses on investment in associate	-	722,857	-	722,857
Foreign exchange (gain)/loss	-	90,530	-	90,530
Loss	\$ 196,705	\$ 1,823,982	\$ 66,754	\$ 2,087,441

September 30, 2018	Spain	Canada	Brazil	Total
Other income	\$ -	\$ (3,464)	\$ -	\$ (3,464)
Project evaluation expenses	536,895	(77,187)	2,368,620	2,828,328
General and administrative expenses	-	1,439,530	-	1,439,530
Losses on investment in associate	-	243,024	-	243,024
Foreign exchange (gain)/loss	-	59,260	-	59,260
Loss	\$ 536,895	\$ 1,661,163	\$ 2,368,620	\$ 4,566,678

Emerita Resources Corp.
Notes to the Consolidated Financial Statements
For the years ended September 30, 2019 and 2018
Expressed in Canadian Dollars

14. INCOME TAXES

Major items causing the Company's effective income tax rate to differ from the combined Canadian federal and provincial statutory rate of 26.5% (2018 – 26.5%) were as follows:

Provision for income taxes

	2019	2018
	\$	\$
<u>(Loss) before income taxes</u>	<u>(2,087,441)</u>	<u>(4,566,678)</u>
Expected income tax recovery based on statutory rate	(553,000)	(1,210,000)
Adjustment to expected income tax benefit:		
Expenses not deductible for tax purposes	3,000	4,000
Difference in tax rates	(18,000)	(181,000)
Difference in foreign exchange rates	27,000	(105,000)
Change in benefit of tax assets not recognized	541,000	1,492,000
<u>Deferred income tax provision (recovery)</u>	<u>-</u>	<u>-</u>

Deferred income taxes

Deferred income tax assets have been recognized in respect of the following items:

	2019	2018
	\$	\$
Deferred income tax assets have been recognized in respect of the following items:		
Exploration and evaluation properties	-	(75,000)
Non-capital loss carry-forwards	-	75,000
<u>Net tax assets (liabilities)</u>	<u>-</u>	<u>-</u>

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

	2019	2018
	\$	\$
Deferred income tax assets have not been recognized in respect of the following deductible temporary differences:		
Non-capital loss carry-forwards	14,713,000	13,195,000
Share issue costs	313,000	217,000
Other temporary differences	299,000	141,000
<u>Total</u>	<u>15,325,000</u>	<u>13,553,000</u>

Non-capital losses of \$7,246,000 in Canada expire between 2029 and 2039. Non-capital losses of €3,300,000 (\$4,691,000) in Spain expire between 2030 and 2036. Non-capital losses of R\$8,720,000 (\$2,776,000) in Brazil carry forward indefinitely.

Emerita Resources Corp.

Notes to the Consolidated Financial Statements

For the years ended September 30, 2019 and 2018

Expressed in Canadian Dollars

14. INCOME TAXES (continued)

The potential future benefit of these losses has not been recognized in the consolidated financial statements because it is not probable that future taxable profit will be available against which the Company can use the benefits.

15. COMMITMENTS AND CONTINGENCIES

On September 30, 2019, the Company entered into agreements with certain directors and officers relating to existing liabilities. Under these agreements, these directors and officers agreed to a reduction of \$1,005,602 in amounts owing to them if the Company is unable to raise at least \$5,000,000 in equity financing prior to December 31, 2021. Should the Company be unable to complete an equity financing of at least \$5,000,000, these directors and officers have agreed to waive and permanently release the Company from these amounts owed. If the Company raises at least \$5,000,000 in equity financing prior to December 31, 2021, these amounts would remain owing to the officers and directors. As a triggering event has not taken place, the contingent gain relating to these agreements has not been reflected in these consolidated financial statements.

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

The Company is party to certain management contracts. These contracts contain minimum commitments of approximately \$313,000 (2018 - \$324,000) and additional contingent payments of up to approximately \$1,190,000 (2018 - \$1,234,000) upon the occurrence of a change of control. As a triggering event has not taken place, the contingent payments have not been reflected in these consolidated financial statements.

The Company is subject to various claims, lawsuits and other complaints arising in the ordinary course of business. The Company records provisions for losses when claims become probable and the amounts are estimable. Although the outcome of such matters cannot be determined, it is the opinion of management that the final resolution of these matters will not have a material adverse effect on the Company's financial condition, operations or liquidity.

The Company's joint venture agreement with the Aldesa Group requires the Company to invest an additional €1,250,000 in the development of the Plaza Norte project should the project advance to later phases. It is not currently known whether the Plaza Norte project will advance to a stage where this investment is required, therefore the expenditure has not been reflected in these consolidated financial statements.

The Company has been named as a defendant in a claim made by a group of companies regarding the payment of outstanding amounts owing to the group of companies relating to certain advertising services. The plaintiff is seeking payment in the amount of € 208,457 (\$300,970). Although the ultimate outcome of this action cannot be ascertained at this time and the results of legal proceedings cannot be predicted with certainty, management believes this claim to be without merit.

16. SUBSEQUENT EVENTS

On November 7, 2019, the Company granted a total of 3,700,000 stock options to directors, management and consultants of the Company pursuant to its stock option plan. The options vest immediately and may be exercised at a price of \$0.10 per option for a period of 5 years from the date of grant.

On December 20, 2019, 4,762,019 of the Company's warrants expired.

EMERITA RESOURCES CORP.
Management's Discussion and Analysis
For the years ended September 30, 2019 and 2018
(in Canadian dollars, unless otherwise noted)

Date: January 28, 2020

This Management's Discussion and Analysis ("**MD&A**") provides a discussion and analysis of the financial condition and results of the operations of Emerita Resources Corp. (individually or collectively with its subsidiaries, as applicable, "**Emerita**" or the "**Company**", to enable a reader to assess material changes in the financial condition and results of operations as at and for the years ended September 30, 2019 and 2018. The MD&A should be read in conjunction with the audited consolidated financial statements as at and for the years ended September 30, 2019 and 2018. All amounts included in the MD&A are expressed in Canadian dollars, unless otherwise specified.

The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as published by the International Accounting Standards Board. Please refer to Note 2 of the annual audited consolidated financial statements as at and for the years ended September 30, 2019 and 2018 for disclosure of the Company's significant accounting policies.

Additional information about the Company may be found on SEDAR at www.sedar.com.

The scientific and technical contents of this MD&A have been reviewed and approved by Mr. Joaquin Merino-Marquez, P. Geo., President of the Company and a Qualified Person under National Instrument 43-101 ("**NI 43-101**"). As the President of the Company, Mr. Merino-Marquez is not considered independent.

The audit committee of the Company has reviewed this MD&A and the consolidated financial statements for the year ended September 30, 2019, and the Company's Board of Directors approved these documents prior to their release.

Overview and Strategy

Emerita is a publicly-traded Canadian exploration and development company listed on the TSX Venture Exchange ("**TSXV**"). The Company is engaged in the acquisition, exploration and development of mineral properties with a primary focus on exploring in Spain. Exploration is conducted through the Company's wholly-owned Spanish subsidiary, Emerita Resources Espana S.L. ("**Emerita Espana**"), and its 50% owned joint venture arrangement, Cantabrica del Zinco S.L. ("**CDZ**").

The Company currently has one gold exploration property and one zinc exploration property in Spain, which are described in detail below under the sections entitled, "Mineral Exploration Properties – Spain". The Company continues to review project submissions and data from various sources with a view to identifying opportunities that could create value for its shareholders.

Highlights

The Company, through its joint venture arrangement, continued its first diamond drilling campaign at its flagship Plaza Norte project in the Cantabria region of northern Spain. Plaza Norte is a high-grade zinc project with significant geological potential and historical technical information. Target areas have been identified based on data from historical drilling.

There have been developments in the legal process concerning the Aznalcollar and Paymogo projects. These, as well as the Company's other projects, are described in detail in the "Summary of Properties and Projects" Section below.

On May 23, 2019, the Company closed the first tranche of its brokered private placement previously announced on February 19, 2019. The Company issued 20,750,000 common shares at a price of \$0.10 per share for aggregate proceeds of \$2,075,000. The proceeds of the offering were used to finance exploration activities at the Company's Plaza Norte Project in Spain, repayment of the Company's existing debt and for general corporate purposes.

On July 12, 2019, the Company closed the second tranche of the offering and issued an additional 1,445,000 common shares at a price of \$0.10 per share for aggregate proceeds of \$144,500.

Summary of Properties and Projects

Mineral Exploration Properties – Spain

The Company has interests in one zinc property and one gold exploration property. The two properties are (i) Plaza Norte, located in the Reocin Mining Camp in Cantabria, northern Spain (ii) Sierra Alta, located in the Asturias region in northwestern Spain. Each of the properties is comprised of exploration permits that were issued by the Cantabrian and the Asturian regulatory authorities, respectively.

Plaza Norte Property – Description

On October 26, 2017, the Company, along with its Spanish joint venture partner, Aldesa, was awarded exploration concessions for 120 claims comprising 3,600 hectares in the Santillana Syncline (the “Plaza Norte Project”), through the public tender organized by the government of Cantabria. The rights to the Plaza Norte Project have been granted for an initial term of three years, with the option to renew.

The Company participated in the tender process through a joint venture company, CDZ, of which the Company owns a 50% interest. The remaining ownership interest is majority held by the Aldesa Group of Companies (“Aldesa”). Details about Aldesa can be found at www.aldesa.es. Aldesa is a specialized infrastructure construction group with over 40 years experience in the construction industry in Spain and internationally. Emerita and Aldesa formed a joint venture for the purpose of participating in the exploration and development of the Plaza Norte Project. Under the terms of the joint venture, the parties will be equally represented on the board of directors of CDZ and Emerita will be the operator of the board-approved exploration programs.

The Plaza Norte Project is in the Cantabria Region, northern Spain, in the Reocin mining district. The Cantabria region is characterized by first world infrastructure including an industrial port and an excellent rail and road network. The Reocin mine is a past producing zinc mine and among the richest zinc mines in the world.

Plaza Norte Property – Outlook

CDZ has received all permits and has initiated the exploration program. The drilling program is focused on evaluating high-grade Mississippi Valley type zinc-lead mineralization in the past producing Reocin mining camp. The program is following up on mineralized drill intercepts identified in previous drilling during exploration campaigns completed primarily in the 1980s and 1990s.

The Company has digitally compiled and analyzed the historical technical data consisting of drill core logs and assays from more than 300 diamond drill holes, geophysical data, historical production data, and internal exploration reports for the Project. Analysis of this data has resulted in 4 key areas being identified as high priorities for exploration. These areas are (from north to south): Yuso, Queveda, San Miguel and Mercadal. All of these targets have significant mineralized intercepts, and Mercadal was the site of a past producing mine.

The historical drilling on the Queveda target area produced several high grade mineralized intercepts, including:

- S-532 from 557.8m; 18.95m grading 9.72% Zn
- S-537 from 560.0m; 3.22m grading 9.82% Zn
- S-539 from 588.9m; 6.10m grading 5.70% Zn
- S-544 from 557.3m; 5.30m grading 7.74% Zn

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Management's Discussion and Analysis
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(in Canadian dollars, unless otherwise noted)

The objective of the drill campaign on the Quevada target area is to confirm zinc-lead mineralisation intercepted by historical drill holes and to improve the drill spacing such that a National Instrument 43-101 (“**NI 43-101**”) mineral resource estimate can be calculated for the target. The target area measures approximately 1,500m north-south by 600m east-west.

The first drill hole has confirmed the mineralisation at the expected geological interval. Stratigraphy in the area is near horizontal. Significant intercepts are presented below. Hole-001 returned very similar grades and thickness compared to the historical holes. Deposits of this type commonly have a significant structural control. The tighter drill pattern required to establish a resource should also serve to provide data on the structural controls of mineralisation that would not be apparent with the present drill spacing, where drill holes are approximately 250-350m apart.

Sierra Alta Property – Description

The Sierra Alta property is comprised of one exploration permit which consists of 90 mining claims comprising 2,700 hectares in the “Navelgas Gold Belt” in the Asturias region of northwestern Spain. The Company applied for the permit on November 18, 2013 and received notice that the permit for the property had been granted on July 26, 2015. The concession is valid for a three-year term and is renewable for equal and successive periods of three years. The Sierra Alta project is in a comparable geological environment to the El Valle-Boinas and Carles gold mines which operate 35 kilometres to the east of the project. Gold mineralization in the area typically occurs in high grade epithermal veins, skarns, and as intrusive related gold deposits. High grade gold samples in bedrock were identified by the Company during the initial property assessment, with grades of up to 10.65 g/t gold.

The area is characterized by extensive ancient Roman gold mine workings that align for over 10 kilometres along a NNE-SSW striking structure, of which the two largest historical excavations occur within the property boundary.

In July 2017, the restoration and investigation plan submitted to the local authorities was approved. This document initiates the three-year period of concessions and establishes the expiry date of the permit of July 31, 2020. The concessions period can be renewed for another three-year period, subject to certain conditions being satisfied.

Sierra Alta Property – Exploration

In July 2016, the Company commenced exploration on the Sierra Alta property. The initial exploration program consisted of detailed geological mapping, bedrock sampling and trenching, where required. The program was designed to identify and evaluate areas with high grade gold mineralization along more than four kilometers of strike length and prioritize the target areas for diamond drilling in a subsequent program. The initial area of focus is characterized by a high density of ancient Roman mining excavations which are distributed along a geological structure that appears to control the distribution of the mineralization.

There are two main gold geochemical anomalies within the Sierra Alta property. The anomaly in the North is approximately 3.0 kilometres long by 300 metres wide, and the one in the South is approximately 1.5 kilometres long by 200 metres wide. Recent exploration has been focused on the Northern anomaly where there is a high concentration of ancient mining excavations.

On November 3, 2017, a formal work plan was submitted by the Company to regional mining authorities. The Company has received approval of the work plan, with an expiry date of July 21, 2020.

Aznalcóllar Tender

On December 16, 2014, the Company submitted a detailed technical proposal, which was the final requirement for the final stage of the public tender process for the Aznalcóllar Project.

The Aznalcóllar Project is a past producing property within the Iberian Pyrite Belt that hosted the Aznalcóllar and Los Frailes open pit zinc-lead-silver mines. The focus of the project is the re-development of the Los Frailes deposit which was developed in the mid-1990s. The historical open pit mineral resource as calculated by the previous operator of the mine was estimated to be 71 million tonnes grading 3.86% zinc, 2.18% lead, 0.34% copper and 60 ppm silver.

On February 23, 2015, the panel evaluating the bids for the Aznalcóllar Project on behalf of the Junta of Andalusia (the "Panel") recommended that the tender be granted to one of the Company's competitors in the bidding process. On February 26, 2015, the Head of the Mine Department of the Junta Andalusia confirmed that the tender process had been concluded and formally granted the tender to the Company's competitor, Minera Los Frailes SL ("Los Frailes").

Given the strength of its proposal, the Company initiated an appeal to the tender process on February 27, 2015, and was accepted by a Seville court judge on March 2, 2015.

The Company has been engaged in a lengthy litigation process relating to corruption and prevarication charges against officials of the outgoing Junta in Andalusia related to the public tender for the Aznalcóllar Project. In October 2019, five judges of the Appellate Court of Seville unanimously ruled in favour of Emerita's appeal of a lower court's decision to dismiss a criminal case against the Andalusian government panel responsible for awarding the Aznalcóllar Project and the former Director of Mines of the Government of Andalusia. The criminal case has been re-opened and the scope of criminal charges expanded.

According to Spanish legal counsel, laws relating to public tenders in Spain stipulate that if there is commission of a crime in the awarding of a public tender, the bid shall be disqualified and the tender awarded to the next qualified bidder. In the case of the Aznalcóllar Project, Emerita is the only other qualified bidder. The timing of the legal process cannot be determined at this time and whether or not this process will result in the Company ultimately winning the rights to Aznalcóllar project remains uncertain.

Emerita remains committed to working with the community of Aznalcóllar to develop the Project in an environmentally responsible manner to benefit all stakeholders. For a summary of the legal proceedings and summary of the Aznalcóllar Project, please refer to the news releases of October 4 and October 29, 2019.

Paymogo Tender

In September 2017, the Upper Court of Andalusía ("the Upper Court") ruled in favour of Emerita's appeal relating to the awarding of the Paymogo Zinc Project ("the Paymogo Project") tender to Mina de Aguas Tenidas SA ("Matsa") and ordered that the qualifying bids pursuant to the tender be reassessed.

When the Paymogo Project was initially awarded to Matsa in 2014, Emerita filed an appeal based on its belief that the tender process contained a number of procedural errors and had not been conducted impartially. The Upper Court found that certain of the criteria used by the panel to evaluate the offers were considered arbitrarily and had not been made known to all the participants in the tender process and that "the panel made an arbitrary assessment of the bids favoring one bidder to the detriment of the others". As a result, the Upper Court ruled in favour of Emerita's appeal and rescinded the awarding of the Paymogo Project.

The Upper Court has directed the panel to reassess the bids excluding the criteria that were not previously publicly disclosed. In November 2019, the Supreme Court of Spain confirmed the ruling supporting

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Emerita's challenge to the tender process, and that the tender bid results be recalculated excluding certain criteria. Using the legal criteria, the Company believes that it should be awarded the tender. The Company is prepared to begin work on the Paymogo project as soon as the tender can be finalized, in line with the instructions from the courts.

The Paymogo Project is located within the famous Iberian Pyrite Belt, one of the most highly mineralized volcanogenic massive sulfide (VMS) terranes in the world. The Project is located in the western part of the belt, adjacent to the border with Portugal, approximately 70km west of Seville and 50km from the port city of Huelva. The Project extends along a strike length of approximately 18km. Access to the Project is excellent via paved and all-weather gravel roads. Within the Project area, several base metal occurrences have been identified by previous exploration, the most significant of which are the La Infanta and Romanera deposits.

The Romanera deposit was drilled primarily by Minera Rio Tinto in the 1990's and is reported to contain 34 million tonnes grading 0.42% copper, 2.20% lead, 2.3% zinc, 44.4g/t silver and 0.8g/t gold, within which there is a higher grade resource of 11.21 million tonnes grading 0.40% copper, 2.47% lead, 5.50% zinc, 64.0 g/t silver and 1.0 g/t gold (The Volcanic Hosted Massive Sulphide Deposits of the Iberian Pyrite Belt, Garcia-Cortes ed., 2011). A qualified person, as defined by National Instrument 43-101, has not done sufficient work on behalf of Emerita to classify the historical estimate reported above as current mineral resources or mineral reserves, as Emerita is not treating the historical estimate as such. The historical estimate should not be relied upon. The deposit extends from surface to approximately 350 metres depth on historical drilling. The mineralization remains open for further expansion down dip beyond the limits of the existing drilling.

The La Infanta mineralized zone has been drilled from surface where it outcrops to a depth of approximately 100 metres. Numerous high-grade intercepts occur within the zone, and it remains open for expansion at shallow depths. Drilling was completed by Phelps Dodge in the mid-1980's. La Infanta is located approximately 8km to the east of the La Romanera deposit.

For further details of the legal process and technical details of the Project, please refer to the Company's press release dated November 6, 2019.

Mineral Exploration Properties – Brazil

Falcon Project – Description

In June 2016, the Company entered into a binding letter agreement (the "Falcon Agreement") with Falcon Metais Ltda. ("Falcon") pursuant to which Falcon granted to Emerita an option (the "Option") to acquire a 100% interest in the Falcon Litio MG Project (the "Falcon Project") on or before June 13, 2018 (the "Option Expiry Date"). The Falcon Project is adjacent to Brazil's only lithium mining operation owned by Companhia Brasileira de Lítio ("CBL") and the northwestern property boundary of the Falcon Project is just 500 meters from the CBL mine. The Falcon Project is comprised of five exploration permits and one application for an exploration permit.

Pegmatite dykes similar to the mineralized dykes on the adjacent property have been identified during the initial field reconnaissance of the area. Lithium mineralization in the area is associated with Neoproterozoic granitic intrusions that have deposited lithium mineralization with minor contents of rare metals such as thallium, niobium and tin in the apical aureole of these intrusions. Mineralization is hosted by pegmatite dykes with widths varying from 5 to 30 meters and strike in excess of 1 kilometer. The mineralized pegmatite dyke system is structurally-controlled by a framework of NW and NE crosscutting faults and fractures, and locally is characterized by stockwork systems or sets of sub-parallel sheeted-dykes. The main lithium mineral at the adjacent operation is spodumene with minor amounts of petalite.

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To acquire the Option, Emerita issued 100,000 common shares to Falcon in June 2016, at a price per share of \$0.775. An additional 100,000 common shares were issued on August 28, 2017 at a price per share of \$0.60 based on the estimated market value of the shares on the date of issuance. The Company issued the third and final tranche of 100,000 common shares to Falcon on September 12, 2018 at a price per share of \$0.20, based on the quoted market value of the shares on the date of issuance. Falcon will retain a transferable 2% net smelter royalty on all commercial sales from the Litio Project.

In addition, if a "mineral resource", as defined in NI 43-101, of at least 20 million tonnes with a grade of at least 1.3% LiO₂ is delineated at the Falcon Project, Emerita shall either, (i) pay CAD\$5 million in cash to Falcon or, by its sole discretion, (ii) issue CAD\$5 million worth (to be determined on a reasonable volume weighted average price basis) of common shares to Falcon (the "Resource Consideration").

The Resource Consideration shall only be paid by Emerita if (i) the mineral resource is verified by a "qualified person", as such term is defined in NI 43-101, who is independent of Emerita and Falcon, and (ii) at least 50% of the mineral resource is categorized as an "indicated mineral resource" or "measured mineral resource", as defined in NI 43-101.

Falcon Project – Outlook

The Falcon Project provides an opportunity for the Company to add value at a low cost. Further updates will be provided as they become available.

Liquidity and Capital Resources

As at September 30, 2019, the Company had working capital deficit of \$1,597,750 (September 30, 2018 – working capital deficit of \$1,830,474), which included a cash balance of \$69,783 (September 30, 2018 - \$31,325), amounts receivable of \$58,598 (September 30, 2018 - \$169,935), and prepaid expenses and advances of \$109,182 (September 30, 2018 - \$18,059), offset by accounts payable and accrued liabilities and other liabilities of \$1,835,313 (September 30, 2018 - \$2,049,613). Other liabilities is in the amount of \$1,005,602, and will only be payable if the Company has achieved a milestone event allowing the Company the ability to raise a minimum of \$5 million. This amount is also only due to current officers and directors of the Company for past services provided.

On May 23, 2019, the Company closed the first tranche of its previously announced brokered private placement financing of 20,750,000 common shares of the Company at a price per share of \$0.10, for gross aggregate proceeds of \$2,075,000.

On July 12, 2019, the Company closed the second and final tranche of 1,445,000 common shares at a price per share of \$0.10, for gross aggregate proceeds of \$144,500. In addition, 1,443,900 broker warrants were issued, exercisable at a price of \$0.10 per broker warrant for one common share of the Company for a period of 24 months following the date of issuance.

The proceeds of the Offering were used to finance exploration activities at the Company's Plaza Norte Project, in the repayment of the Company's existing debt, and for general corporate purposes. Further details are available in the Company's press releases dated May 23, 2019 and July 12, 2019.

Results of Operations

During the year ended September 30, 2019, the Company recorded a loss of \$2,087,441, or \$0.06 per share, compared with a loss of \$4,566,678, or \$0.17 per share, during the year ended September 30, 2018.

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Expenses incurred during the year ended September 30, 2019 included \$791,364 in consulting and management fees; \$114,814 in shareholder communications, filing fees, and promotional expenses; \$96,143 in office expenses for office administration services; \$39,904 in travel expenses; and \$77,890 in professional fees related to legal expenses and the preparation and audit of the Company's financial statements. During the year ended September 30, 2019, project evaluation expenses of \$41,113 were incurred relating to the evaluation of mineral properties within Spain.

Expenses incurred during the year ended September 30, 2018 included \$1,035,572 in consulting and management fees; \$139,805 in shareholders communications, filing fees, and promotional expenses; \$110,935 in travel expense; \$87,922 in office expenses for office administration services; and \$65,296 in professional fees related to the preparation and audit of the Company's financial statements. During the year ended September 30, 2018, project evaluation expenses of \$2,828,328 were incurred relating to the evaluation of mineral properties within Spain.

A loss of \$722,857 was recorded in 2019 in relation to a change in the Company's accounting policy regarding exploration and evaluation expenditures (2018: loss of \$243,024). Please see Note 3 of the Company's annual consolidated financial statements.

Cash flows

Year ended September 30, 2019

During the year ended September 30, 2019, the Company used cash of \$1,516,959 on operating activities. Cash used in operating activities consisted primarily of new project evaluation expenses incurred on the Company's properties, corporate general and administrative expenses, a gain from the settlement of outstanding liabilities, and losses arising from the Company's investment in associate.

During the year ended September 30, 2019, investing activities used \$722,857 consisting of additional investment in the Company's joint venture arrangement.

During the year ended September 30, 2019, financing activities generated \$2,278,274, consisting of the proceeds from the Company's brokered private placement, and proceeds from the Company's long-term loan payable.

Year ended September 30, 2018

During the year ended September 30, 2018, the Company used cash of \$4,317,448 on operating activities. Cash used in operating activities consisted of new project evaluation expenses incurred on the Company's properties in Spain, corporate general and administrative expenses, and a loss arising for a writedown of the Company's exploration and evaluation properties.

During the year ended September 30, 2018, investing activities used cash of \$250,191 which related to office equipment, investments in associate, and general overhead for exploration and evaluation expenditures on the Company's properties in Spain.

During the year ended September 30, 2018, financing activities generated \$4,080,245 in cash, which consisted of proceeds from the Company's private placement financing, and the exercise of 100,000 of the Company's outstanding warrants.

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Select Annual Information

Select annual financial information for the years ended September 30, 2019, 2018 and 2017 is presented in the table below:

	2019	2018	2017
	\$	\$	\$
Revenues	\$ -	\$ -	\$ -
Loss and comprehensive loss	(2,087,441)	(4,566,678)	(2,522,973)
Loss per share, basic and diluted	(0.06)	(0.17)	(0.03)
Total assets	264,215	253,533	687,171
Working capital ('000s)	(1,598)	(1,830)	(1,460)

Select Quarterly Information

Select quarterly financial information for the most recent eight quarters is presented in the table below:

Period	Revenue (1)	Operating			Total assets
		costs	Gain/(loss)	Loss per share	
	\$	\$	\$	\$	\$
Q4- September 2019	-	(24,909)	(1,620,177)	(0.05)	264,215
Q3- June 2019	-	507,139	(594,497)	(0.01)	1,766,206
Q2- March 2019	-	339,880	(363,535)	(0.00)	912,312
Q1- December 2018	-	339,118	490,768	0.00	898,215
Q4- September 2018	-	2,881,368	(3,048,035)	(0.10)	894,051
Q3- June 2018	-	474,385	(480,747)	(0.02)	3,413,807
Q2- March 2018	-	433,910	(428,080)	(0.01)	3,793,092
Q1- December 2017	-	478,195	(446,792)	(0.04)	4,327,116

Explanatory Notes:

- 1) The Company has no sales revenues.

Financial Instruments

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

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

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

The Company's financial instruments include cash and accounts payable and accrued liabilities. The carrying values of these financial instruments reported in the statement of financial position approximate their respective fair values due to the relatively short-term nature of these instruments. As at September 30, 2019 and 2018, the Company had no instruments to classify in the fair value hierarchy.

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

(a) *Credit risk*

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

a. *Trade credit risk*

The Company is not exposed to significant trade credit risk.

b. *Cash*

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

(b) *Currency risk*

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

As at September 30, 2019 and 2018, the Company had the following financial instruments and denominated in foreign currency (expressed in Canadian dollars):

September 30, 2019

	Euro	US dollars	Brazilian reals
Cash	\$ 36,852	\$ 614	\$ 1,326
Accounts payable and accrued liabilities	(30,856)	(647,932)	(196,078)
	\$ 5,996	\$ (647,318)	\$ (194,752)

September 30, 2018

	Euro	US dollars	Brazilian reals
Cash	\$ 17,516	\$ 7,224	\$ 1,505
Accounts payable and accrued liabilities	(303,808)	(459,372)	(413,370)
	\$ (286,292)	\$ (452,148)	\$ (411,865)

A 10% strengthening (weakening) of the Canadian dollar against the Euro would decrease (increase) net loss by approximately \$600 (September 30, 2018 - \$29,000).

A 10% strengthening (weakening) of the Canadian dollar against the US dollar would decrease (increase) net loss by approximately \$65,000 (September 30, 2018 - \$45,000).

A 10% strengthening (weakening) of the Canadian dollar against the Brazilian real would decrease (increase) net loss by approximately \$19,500 (September 30, 2018 - \$41,000).

(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, 2019, the Company had a cash balance of \$69,783 (September 30, 2018 - \$31,325) to settle current liabilities and other liabilities of \$1,835,313 (September 30, 2018 - \$2,049,613). The Company's trade payables have contractual maturities of less than 30 days and are subject to normal trade terms.

(d) Commodity / Equity price risk

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

Critical Accounting Policies

The Company's significant accounting policies are described in Note 2 to the audited consolidated financial statements for the year ended September 30, 2019. The preparation of statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The following is a list of the accounting policies that management believes are critical, due to the degree of uncertainty regarding the estimates and assumptions involved and the magnitude of the asset, liability or expense being reported:

- Foreign currencies
- Exploration and evaluation properties

Foreign currencies

The Foreign currency translation 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 financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Exchange differences are recognized in operations in the period in which they arise.

The Company makes expenditures and incurs costs in Euros ("EUR"), United States Dollars ("US\$") and Brazilian reals ("BRL"). At September 30, 2019, one Canadian dollar was worth US\$0.7551 (September 30, 2018– US\$0.7725); EUR 0.6926 (September 30, 2018 – EUR 0.6658); and BRL 3.1417 (September 30, 2018 – BRL 3.1056). During the year ended September 30, 2019, the average value of one Canadian dollar was US\$0.7535 (September 30, 2018 – US\$0.7791); EUR 0.6680 (September 30, 2018 – EUR 0.6545); and BRL 2.9104 (September 30, 2018 – BRL 2.7203).

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Exploration and evaluation expenditures

	2019	2018
Land management fees, taxes and permits	\$ 20,113	\$ 376,539
Labour	(41,671)	275,284
Drilling and geophysics	-	400,447
Technical reports	685	41,941
Travel, meals and accomodations	12,360	102,603
Legal fees	10,873	309,581
Project overhead costs	38,753	1,321,933
Total exploration and evaluation expenditures	\$ 41,113	\$ 2,828,328

During the year ended September 30, 2019, the Company changed its accounting policy of capitalizing exploration and evaluation expenditures. The Company believes that expensing such costs as incurred provides more reliable and relevant financial information. Cost of exploration properties, including the cost of acquiring prospective properties and exploration rights, and exploration and evaluation costs are expensed until it has been established that a mineral property is commercially viable. Previously, the Company capitalized these amounts. The audited consolidated financial statements for the year ended September 30, 2018 have been restated to reflect adjustments made as a result of this change in accounting policy.

Commitments and Contingencies

On September 30, 2019, the Company entered into agreements with certain directors and officers relating to existing liabilities. Under these agreements, these directors and officers agreed to a reduction of \$1,005,602 in amounts owing to them if the Company is unable to raise at least \$5,000,000 in equity financing prior to December 31, 2021. Should the Company be unable to complete an equity financing of at least \$5,000,000, these directors and officers have agreed to waive and permanently release the Company from these amounts owed. If the Company raises at least \$5,000,000 in equity financing prior to December 31, 2021, these amounts would remain owing to the officers and directors. As a triggering event has not taken place, the contingent gain relating to these agreements has not been reflected in the consolidated financial statements.

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

The Company is party to certain management contracts. These contracts contain minimum commitments of approximately \$313,000 (2018 - \$324,000) and additional contingent payments of up to approximately \$1,190,000 (2018 - \$1,234,000) upon the occurrence of a change of control. As a triggering event has not taken place, the contingent payments have not been reflected in these consolidated financial statements.

The Company is subject to various claims, lawsuits and other complaints arising in the ordinary course of business. The Company records provisions for losses when claims become probable and the amounts are estimable. Although the outcome of such matters cannot be determined, it is the opinion of management that the final resolution of these matters will not have a material adverse effect on the Company's financial condition, operations or liquidity.

The Company's joint venture agreement with the Aldesa Group requires the Company to invest an additional €1,250,000 in the development of the Plaza Norte project should the project advance to later phases. It is not currently known whether the Plaza Norte project will advance to a stage where this

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investment is required, therefore the expenditure has not been reflected in these consolidated financial statements.

The Company has been named as a defendant in a claim made by a group of companies regarding the payment of outstanding amounts owing to the group of companies relating to certain advertising services. The plaintiff is seeking payment in the amount of € 208,457 (\$300,970). Although the ultimate outcome of this action cannot be ascertained at this time and the results of legal proceedings cannot be predicted with certainty, management believes this claim to be without merit.

Transactions with Related Parties

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

As at September 30, 2019, an amount of \$1,261,876, included in accounts payable and other liabilities, were owed to directors and officers of the Company (September 30, 2018 - \$920,873). The amounts outstanding on fees are unsecured, non-interest bearing, with no fixed terms of repayment.

On September 30, 2019, the Company entered into agreements with certain directors and officers relating to existing liability balances. These agreements allow for the forgiveness of \$1,005,602 in amounts owing to these directors and officers upon the non-occurrence of some future event. As a triggering event has not yet occurred, this contingent debt forgiveness has not been recognized in these financial statements. Refer to Note 15 of the consolidated financial statements.

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, 2019 and 2018, the remuneration of directors and other key management personnel are as follows:

	Year ended September 30,	
	2019	2018
Management fees	\$ 488,544	\$ 728,148

A payroll advance of €25,887 (\$37,376) was paid to Joaquin Merino-Marquez, the President of the Company, by the Company's subsidiary, Emerita Espana, during the year ended September 30, 2019 (2018 - \$nil).

In connection with the May 23, 2019 private placement (see Note 8(vi)), officers and directors of the Company subscribed for 500,000 common shares of the Company for total proceeds of \$50,000.

In connection with the July 12, 2019 private placement (see Note 8(vii)), officers and directors of the Company subscribed for 45,000 common shares of the Company for total proceeds of \$4,500.

In connection with the December 20, 2017 private placement (see Note 8(ii)), officers and directors of the Company subscribed for 850,000 units of the Company for total proceeds of \$425,000.

Risk Factors

Mining exploration inherently contains a high degree of risk and uncertainty, which even a combination of careful evaluation, experience and knowledge may not eliminate. The following are certain factors relating to the business of the Company, which investors should carefully consider when making an investment decision concerning the Company's shares. These risks and uncertainties are not the only ones facing the

Company. Additional risks and uncertainties not presently known that the Company currently deems immaterial, may also impair the operations of the Company. If any such risks occur, the financial condition, liquidity and results of operations of the Company could be materially adversely affected and the ability of the Company to implement its growth plans could be adversely affected. An investment in the Company is speculative. An investment in the Company will be subject to certain material risks and investors should not invest in securities of the Company unless they can afford to lose their entire investment. The following is a description of certain risks and uncertainties that may affect the Company.

Substantial Capital Requirements and Liquidity

Substantial additional funds for the establishment of the Company's current and planned operations will be required. No assurances can be given that the Company will be able to raise the additional funding that may be required for such activities, should such funding not be fully generated from operations. Mineral prices, environmental rehabilitation or restitution, current financial conditions, revenues, taxes, capital expenditures, operating expenses and geological results are all factors which will have an impact on the amount of additional capital that may be required. To meet such funding requirements, the Company may be required to undertake additional equity financing, which would be dilutive to shareholders. Debt financing, if available, may also involve restrictions on financing and operating activities. There is no assurance that additional financing will be available on terms acceptable to the Company or at all. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and pursue only those projects that can be funded through cash flows generated from its existing operations, if any.

Financing Risks and Dilution to Shareholders

The Company will have limited financial resources, no operations and no revenues. Even if the Company's exploration program on one or more of the properties is successful, additional funds will be required for the purposes of further exploration and development. There can be no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be available on favourable terms or at all. It is likely such additional capital will be raised through the issuance of additional equity which would result in dilution to the Company's shareholders.

Limited Operating History

The Company is a relatively new company with limited operating history. The Company only recently acquired its interest in its material properties and the Company has no history of business or mining operations, revenue generation or production history. The Company has yet to generate a profit from their activities. The Company will be subject to all the business risks and uncertainties associated with any new business enterprise, including the risk that it will not achieve its growth objective. The Company anticipates that it may take several years to achieve positive cash flow from operations.

No Mineral Resources or Mineral Reserves

Resource exploration is a speculative business, characterized by a number of significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but also from finding mineral deposits that, though present, are insufficient in quantity and quality to return a profit from production. The marketability of minerals acquired or discovered by the Company may be affected by numerous factors which are beyond the control of the Company and which cannot be accurately predicted, such as market fluctuations, the proximity and capacity of milling facilities, mineral markets and processing equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals, and environmental protection, the combination of which factors may result in the Company not receiving an adequate return of investment capital.

The Company's properties are in the exploration stage only and, to date, no mineral resources or mineral reserves have been identified. Development of the Company's properties will follow only if favourable exploration results are obtained. The business of exploration for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. There is no assurance that any mineral resources or mineral reserves will be identified or developed. The long-term profitability of the Company's operations will in part be directly related to the costs and success of its exploration programs, which may be affected by a number of factors.

Substantial expenditures are required to establish mineral resources and mineral reserves and to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a timely basis.

Fluctuating Mineral Prices

The economics of mineral exploration are affected by many factors beyond the Company's control, including commodity prices, the cost of operations, variations in the grade of minerals explored and fluctuations in the market price of minerals. Depending on the price of minerals, the Company may determine that it is impractical to continue a mineral exploration operation.

Mineral prices are prone to fluctuations and the marketability of minerals is affected by government regulation relating to price, royalties, allowable production and the importing and exporting of minerals, the effect of which cannot be accurately predicted. There is no assurance that a profitable market will exist for the sale of any minerals that may be found on the Properties.

Regulatory, Permit and License Requirements

The current or future operations of the Company require permits from various governmental authorities, and such operations are and will be governed by laws and regulations that may concern, among other things, exploration, development, production, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, site safety and other matters. Companies engaged in the exploration and development of mineral properties generally experience increased costs and delays in development and other schedules because of the need to comply with applicable laws, regulations and permits. There can be no assurance that all permits which the Company may require for facilities and the conduct of exploration and development operations on its properties will be obtainable on reasonable terms, or that such laws and regulations will not have an adverse effect on any exploration or development project which the Company might undertake.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in exploration and development operations may be required to compensate those suffering loss or damage by reason of the exploration and development activities and may have civil or criminal fines or penalties imposed upon them for violation of applicable laws or regulations. Amendments to current laws, regulations and permits governing operations and activities of mineral companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or exploration and development costs, or require abandonment or delays in the development of new or existing properties.

With respect to the Aznalcóllar and Paymogo tender appeal process, there can be no certainty with respect to further developments of the appeal or the results of any recourse initiated by the applicable governmental entities in Spain with respect to the tender processes. In addition, there can be no certainty with respect to

the timing regarding any potential resolution of the tender review processes, the ability of the Company to be successful with its appeal or the potential for the Company to be awarded either project.

Title to Properties

Acquisition of title to mineral properties is a very detailed and time-consuming process. Title to, and the area of, mineral properties may be disputed. The Company cannot give an assurance that title to some or all the Company's interest in its properties will not be challenged or impugned. Mineral properties sometimes contain claims or transfer histories that examiners cannot verify. A successful claim that the Company does not have the interest it understands it has in its properties could cause the Company to lose any rights to explore, develop and mine any minerals on such properties without compensation for its prior expenditures relating thereto.

Competition

The mineral exploration and development industry is highly competitive. The Company will have to compete with other companies, many of which have greater financial, technical and other resources than the Company, for, among other things, the acquisition of minerals claims, leases and other mineral interests, as well as for the recruitment and retention of qualified employees and other personnel. Failure to compete successfully against other companies could have a material adverse effect on the Company and its prospects.

Reliance on Management and Dependence on Key Personnel

The success of the Company will be largely dependent upon the performance of its directors and officers and the ability to attract and retain key personnel. The loss of the services of these persons may have a material adverse effect on the Company's business and prospects. The Company will compete with numerous other companies for the recruitment and retention of qualified employees and contractors. There is no assurance that the Company can maintain the service of its directors and officers or other qualified personnel required to operate its business. Failure to do so could have a material adverse effect on the Company and its prospects.

Environmental Risks

The Company's exploration and appraisal programs will, in general, be subject to approval by regulatory bodies. Additionally, all phases of the exploration, development and mining business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of international conventions and national and local laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with exploration, development and mining operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs.

Local Resident Concerns

Apart from ordinary environmental issues, the exploration, development and mining of the Company's properties could be subject to resistance from local residents that could either prevent or delay exploration and development of the properties.

Conflicts of Interest

Certain of the directors and officers of the Company will be engaged in, and will continue to engage in, other business activities on their own behalf and on behalf of other companies (including mineral resource companies) and, as a result of these and other activities, such directors and officers may become subject to conflicts of interest. The *Business Corporations Act* (Ontario) ("OBCA") provides that in the event that a director has a material interest in a contract or proposed contract or agreement that is material to a Company, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement, subject to and in accordance with the OBCA. To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the OBCA.

Foreign Operations

The Company's properties are located in Spain and Brazil. As such, the Company's proposed activities with respect to its properties will be subject to governmental, political, economic and other uncertainties, including but not limited to expropriation of property without fair compensation, repatriation of earnings, nationalization, currency fluctuations and devaluations, exchange controls and increases in government fees, renegotiation or nullification of existing concessions and contracts, changes in taxation policies, economic sanctions and the other risks arising out of foreign governmental sovereignty over the areas in which the Company's operations will be conducted, as well as risks including loss due to civil strife, acts of war, insurrections and the actions of national labour unions. Future government actions concerning the economy, taxation, or the operation and regulation of nationally important facilities such as mines, could have a significant effect on the Company. No assurances can be given that the Company's plans and operations will not be adversely affected by future developments in Spain and/or Brazil. Any changes in regulations or shifts in political attitudes will be beyond the Company's control and may adversely affect the Company's business.

Uninsurable Risks

Exploration, development and production operations on mineral properties involve numerous risks, including unexpected or unusual geological operating conditions, rock bursts, cave-ins, fires, floods, earthquakes and other environmental occurrences, any of which could result in damage to, or destruction of, equipment and mines, damage to life or property, environmental damage and possible legal liability. Although precautions to minimize risk will be taken, operations are subject to hazards that may result in environmental pollution and consequent liability that could have a material adverse impact on the business, operations and financial performance of the Company. It is not always possible to obtain insurance against all such risks and the Company may decide not to insure against certain risks as a result of high premiums or other reasons. Should such liabilities arise, they could have an adverse impact on the Company's results of operations and financial condition and could cause a decline in the value of the Company securities.

Litigation

The Company and/or its directors or officers may be subject to a variety of civil or other legal proceedings, with or without merit.

Subsequent Events

On November 7, 2019, the Company granted a total of 3,700,000 stock options to directors, management and consultants of the Company pursuant to its stock option plan. The options vest immediately and may be exercised at a price of \$0.10 per option for a period of 5 years from the date of grant.

On December 20, 2019, 4,762,019 of the Company's warrants expired.

Outstanding Share Data

As at the date of this MD&A, the Company has:

- 1) 50,614,165 common shares outstanding;
- 2) 1,443,900 warrants outstanding, with expiry dates ranging between May 23, 2021 and July 12, 2021. If all of the warrants were exercised, 1,443,900 shares would be issued for gross proceeds of \$144,390.
- 3) 4,730,000 stock options outstanding with expiry dates ranging between August 29, 2021 and November 7, 2024. If all of the options are exercised, 1,030,000 shares would be issued for gross proceeds of \$885,000.

CAUTIONARY STATEMENT REGARDING FORWARD LOOKING INFORMATION

This MD&A contains forward-looking information under Canadian securities legislation. Forward-looking information includes, but is not limited to, dispositions and strategy, development potential and timetable of the Company's exploration properties; the Company's ability to raise required funds; future mineral prices; mineralization projections; conclusions of economic evaluation; the timing and amount of estimated future exploration and development; costs of development; capital expenditures; success of exploration activities; mining or processing issues; currency exchange rates; government regulation of mining operations; and environmental risks. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking information is based on the opinions and estimates of management as of the date such statements are made. Estimates regarding the anticipated timing, amount and cost of exploration are based on previous industry experience and regional political and economic stability. Capital and operating cost estimates are based on extensive research of the Company, recent estimates of costs and other factors that are set out herein. Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information, including but not limited to risks related to: unexpected events and delays during exploration and development; acquisition risks; regulatory risks; revocation of government approvals; timing and availability of external financing on acceptable terms; actual results of current exploration activities; changes in project parameters as plans continue to be refined; future prices of minerals; accidents, labour disputes and other risks of the mining industry. Although management of the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. The Company does not undertake to update its forward-looking information, except in accordance with applicable securities laws.



Condensed Interim Consolidated Financial Statements

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

(Expressed in Canadian Dollars)

(Unaudited)

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

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

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

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

Emerita Resources Corp.

Condensed Interim Consolidated Statements of Financial Position

Expressed in Canadian Dollars- Unaudited

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

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

Signed: "Catherine Stretch", Director

Signed: "David Gower", Director

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

Emerita Resources Corp.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

Expressed in Canadian Dollars- Unaudited

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

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

Emerita Resources Corp.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

Expressed in Canadian Dollars- Unaudited

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

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

Emerita Resources Corp.

Condensed Interim Consolidated Statements of Cash Flows

Expressed in Canadian Dollars- Unaudited

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

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

Emerita Resources Corp.

Notes to the Condensed Interim Consolidated Financial Statements

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

Expressed in Canadian Dollars- Unaudited

1. NATURE OF OPERATIONS AND GOING CONCERN

Emerita Resources Corp. (the “Company”, or “Emerita”) was incorporated on October 30, 2009 as 0865140 BC Ltd. pursuant to the *Business Corporations Act of British Columbia*. On January 8, 2013, the Company completed its Qualifying Transaction and ceased to be a Capital Pool Company. The Company changed its name to Emerita Gold Corp. and commenced trading as a Tier 2 Mining Issuer on the TSX Venture Exchange (“TSXV”) on January 11, 2013 under the new trading symbol “EMO”. The Company owns the following subsidiaries:

- A 100% interest in Emerita Resources Espana SL (“Emerita Espana”), a company incorporated on May 30, 2012 in Spain.
- A 99% interest in Emerita do Brazil Mineracao Ltda. (“Emerita Brazil”), a company incorporated on December 9, 2017 in Brazil.
- A 75% interest in Zinco das Gerais, a company incorporated on August 15, 2017 in Brazil.

The Company is currently engaged in the acquisition, exploration and development of mineral properties. The head office and principal address of the Company is 65 Queen Street West, Suite 800, Toronto, Ontario, M5H 2M5.

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

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

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

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

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

Emerita Resources Corp.

Notes to the Condensed Interim Consolidated Financial Statements

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

Expressed in Canadian Dollars- Unaudited

1. NATURE OF OPERATIONS AND GOING CONCERN (continued)

Novel Coronavirus (“COVID-19”)

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

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

Basis of presentation

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

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

Approval of the consolidated financial statements

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

Critical judgements and estimation uncertainties

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

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

Emerita Resources Corp.

Notes to the Condensed Interim Consolidated Financial Statements

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

Expressed in Canadian Dollars- Unaudited

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Critical judgements and estimation uncertainties (continued)

Assets' carrying values and impairment charges

In the determination of carrying values and impairment charges, management looks at the higher of recoverable amount or fair value less costs to sell in the case of assets and at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

Income, value added, withholding and other taxes

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

Share-based payments

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

Contingencies

Refer to Notes 1 and 12.

Joint arrangement

The Company has a joint arrangement with the Aldesa Group. The Company has joint control over this arrangement as under the contractual agreement with the Aldesa Group, unanimous consent is required from all parties to the agreements for certain key strategic, operating, investing and financing policies. The Company's joint arrangement is structured as a corporation (JV Company) and provides the Company and the Aldesa Group (parties to the agreements) with rights to the net assets of the limited company under the arrangements. Therefore, this arrangement has been classified as a joint venture and has been recorded as an investment in associate. See Note 3.

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

Emerita Resources Corp.

Notes to the Condensed Interim Consolidated Financial Statements

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

Expressed in Canadian Dollars- Unaudited

3. INVESTMENT IN ASSOCIATE

On October 26, 2017, the Company, along with its Spanish joint venture partner the Aldesa Group (“Aldesa”), were awarded exploration concessions in the Santillana Syncline (the “Plaza Norte Project”). The Plaza Norte Project is in the Reocin Basin in Cantabria, Spain. The Company and Aldesa each own a 50% interest in Cantabrica del Zinco S.L. (“Cantabrica”), a corporation registered in Spain, and will be equally represented on the board of directors. Emerita is the operator of the Plaza Norte Project. The Company recognizes its jointly controlled interest in the joint venture relationship with Aldesa as an investment in associate. Effective October 26, 2017, the Company accounts for this investment in associate using the equity method.

Changes in the investment in associate for the year ended September 30, 2019 and six months ended March 31, 2020 were as follows:

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

The fiscal year end for Cantabrica is September 30, 2019, which is consistent with the year end of the Company. The following is a summary of the financial information for Cantabrica as at September 30, 2019 and March 31, 2020:

Cantabrica del Zinco S.L.

As at:	31-Mar-20	30-Sep-19
Cash and cash equivalents	\$ 161,105	\$ 30,790
Current assets	182,467	111,688
Property, plant and equipment	14,603	14,025
Current liabilities	479,883	(547,827)
Long-term liabilities	1,764,611	(1,515,589)
	6 months ended	Year ended
	31-Mar-20	30-Sep-19
Operating expenses	\$ (385,644)	\$ (1,639,752)
Net loss and comprehensive loss	(385,644)	(1,639,752)

The Company accounts for its 50% interest in the investment in associate using the equity method. The 50% share of the loss from the investment in associate’s operations attributable to the Company for the six months ended March 31, 2020 was \$192,822 (year ended September 30, 2019: \$819,876). As the losses exceed the amount of the Company’s interest in the investment in associate, \$116,157 of the losses have not been reflected in the Company’s consolidated statement of loss and comprehensive loss for the six months ended March 31, 2020 (September 30, 2019: \$97,019). The cumulative share of losses from the investment in associate’s operations attributable to the Company that has not been recognized on the Company’s consolidated statement of loss and comprehensive loss is \$233,315 at March 31, 2020 (September 30, 2019: \$117,158).

Emerita Resources Corp.

Notes to the Condensed Interim Consolidated Financial Statements

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

Expressed in Canadian Dollars- Unaudited

4. EXPLORATION AND EVALUATION EXPENDITURES

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

As at March 31, 2020, the Company has valid permits for one gold exploration property, one zinc exploration property held through the Company's joint arrangement with the Aldesa Group, and one lithium property in Brazil. The gold property is comprised of exploration permits that were issued by the Asturias regulatory authorities in Spain. The zinc property is comprised of exploration permits that were issued by the Cantabrian regulatory authorities in Spain.

a) Falcon Lítio Property

- In June 2016, the Company entered into a binding letter agreement (the "Falcon Agreement") with Falcon Metais Ltda. ("Falcon") pursuant to which Falcon granted to Emerita an option to acquire a 100% interest in the Falcon Lítio MG Project (the "Lítio Project"). The Lítio Project is located in Minas Gerais State, Brazil, and is comprised of five exploration permits and one application for an exploration permit.
- In order to acquire the option, Emerita issued 100,000 common shares to Falcon in June 2016, at a price per share of \$0.775 based on the quoted market value of the shares on the date of issuance. An additional 100,000 common shares were issued on August 28, 2017 at a price per share of \$0.60 based on the quoted market value of the shares on the date of issuance. On September 12, 2018, the Company exercised its option and acquired a 100% interest in the Falcon Project by issuing a third tranche of 100,000 common shares to Falcon at a price per share of \$0.20, based on the quoted market value of the shares on the date of issuance. All issuances of common shares of Emerita are subject to a statutory hold period and to approval by the TSXV. Falcon will retain a transferable 2% net smelter royalty on all commercial sales from the Lítio Project.
- In addition, if a "mineral resource", as defined in National Instrument 43-101 ("NI 43-101"), of at least 20 million tonnes with a grade of at least 1.3% LiO₂ is delineated at the Project, Emerita shall either, (i) pay \$5 million in cash to Falcon or, by its sole discretion, (ii) issue \$5 million worth (to be determined on a reasonable volume weighted average price basis) of common shares to Falcon (the "Resource Consideration").
- The Resource Consideration shall only be paid by Emerita if (i) the mineral resource is verified by a "qualified person", as such term is defined in NI 43-101, who is independent of Emerita and Falcon, and (ii) at least 50% of the mineral resource is categorized as an "indicated mineral resource" or "measured mineral resource", as defined in NI 43-101.

Emerita Resources Corp.

Notes to the Condensed Interim Consolidated Financial Statements

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4. EXPLORATION AND EVALUATION PROPERTIES (continued)

b) Sierra Alta Property

- The Sierra Alta Property is comprised of one exploration permit which consists of 90 mining claims in the Asturias region in northwestern Spain. The Company applied for the permit on November 18, 2013 and received notice that the property had been granted on July 8, 2015 through the publication of the granting in the regional gazette. From that date, the concession is valid for a three-year term and is renewable for equal and successive periods of three years. The permit was renewed in July 2017 and will expire on July 21, 2020.

5. LOANS PAYABLE

On December 7, 2018, the Company entered into a loan agreement with an unrelated party for a total principal amount of \$250,000. The loan is secured, and interest accrues at 18% per annum. The loan is due and payable on December 5, 2020, settled either in cash or shares at the lender's option. As at March 31, 2020, the total amount owed by the Company, including principal and accrued interest, is \$310,371 (September 30, 2019 - \$284,149).

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

6. COMMON SHARES

Authorized

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

Common Shares Issued

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

On May 23, 2019, the Company completed the first tranche of a private placement financing by issuing 20,750,000 common shares at a price of \$0.10 per share for gross proceeds of \$2,075,000. The Company paid \$56,248 in legal fees, \$114,725 in finders' fees and issued 1,337,550 broker options. Each broker option is exercisable into one common share of the Company at a price of \$0.10 per option until May 23, 2021. The fair value of the broker options issued was estimated at \$101,300 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 171%; risk-free interest rate of 1.58% and an expected life of 2 years.

Emerita Resources Corp.

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6. COMMON SHARES (continued)

Common Shares Issued (continued)

On July 12, 2019, the Company completed the second tranche of financing by issuing 1,445,000 common shares at a price of \$0.10 per share for gross proceeds of \$144,500. The Company paid \$20,253 in finders fees and issued 106,350 broker warrants. Each broker warrant is exercisable into one common share of the Company at a price of \$0.10 per option until July 12, 2021. The fair value of the broker options issued was estimated at \$7,500 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 169%; risk-free interest rate of 1.58% and an expected life of 2 years.

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

7. EQUITY RESERVES

Warrants

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

	Number of warrants	Weighted average exercise price	Value of warrants
Balance, September 30, 2018	4,762,019	\$ 1.00	\$ 951,105
Granted, May 2019	1,337,550	0.10	101,300
Granted, July 2019	106,350	0.10	7,500
Balance, September 30, 2019	6,205,919	\$ 0.17	\$ 1,059,905
Expired, December 2019	(4,762,019)	0.20	(951,105)
Balance, March 31, 2020	1,443,900	\$ 0.10	\$ 108,800

On May 16, 2019, the Company completed a 5:1 share consolidation. Prior to the consolidation, the Company had 23,810,095 warrants outstanding, and following the consolidation had 4,762,019 warrants outstanding as at September 30, 2018. All current and comparative warrant and warrant exercise amounts in these consolidated financial statements have been retroactively adjusted to reflect the share consolidation.

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

Number outstanding #	Number exercisable #	Grant date	Expiry date	Exercise price \$	Estimated grant date fair value \$	Volatility	Risk-free interest rate	Expected life (Yrs) #	Expected dividend yield
1,337,550	1,337,550	23-May-19	23-May-21	\$0.10	101,300	171%	1.58%	2.00	0%
106,350	106,350	12-Jul-19	12-Jul-21	\$0.10	7,500	169%	1.58%	2.00	0%
1,443,900	1,443,900				108,800				

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

Emerita Resources Corp.

Notes to the Condensed Interim Consolidated Financial Statements

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7. EQUITY RESERVES (continued)

Share-based payments

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

	Number of options	Weighted average exercise price	Estimated grant date fair value
Balance, September 30, 2018	1,060,000	\$ 0.10	\$ 348,000
Expired, May 2019	(10,000)	0.50	(3,500)
Expired, September 2019	(20,000)	0.50	(1,400)
Balance, September 30, 2019	1,030,000	\$ 0.50	\$ 343,100
Granted, November 2019	3,700,000	0.10	329,995
Balance, March 31, 2020	4,730,000	\$ 0.19	\$ 673,095

On May 16, 2019, the Company completed a 5:1 share consolidation. Prior to the consolidation, the Company had 5,300,000 options outstanding, and following the consolidation had 1,060,000 options outstanding as at September 30, 2018. All current and comparative option and option exercise amounts in these consolidated financial statements have been retroactively adjusted to reflect the share consolidation.

On November 7, 2019, the Company granted a total of 3,700,000 stock options to directors, management and consultants of the Company pursuant to its stock option plan. The options vest immediately and may be exercised at a price of \$0.10 per option for a period of 5 years from the date of grant. The fair value of the stock options was estimated using the Black-Scholes pricing model, with the following weighted average assumptions: expected dividend yield 0%, expected annual volatility 167%, risk-free interest rate 1.544% and expected average life 5 years.

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

Number outstanding #	Number exercisable #	Grant date	Expiry date	Exercise price \$	Estimated grant date fair value \$	Risk-free Volatility	Expected interest rate	Expected life (Yrs) #	Expected dividend yield
770,000	770,000	29-Aug-16	29-Aug-21	\$0.50	275,100	128%	0.72%	5.00	0%
30,000	30,000	8-Sep-16	8-Sep-21	\$0.50	10,500	128%	0.68%	5.00	0%
230,000	230,000	24-Oct-16	24-Oct-21	\$0.50	57,500	111%	0.53%	5.00	0%
3,700,000	3,700,000	7-Nov-19	7-Nov-24	\$0.10	329,995	167%	1.54%	5.00	0%
4,730,000	4,730,000				673,095				

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

8. CAPITAL MANAGEMENT

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

Emerita Resources Corp.

Notes to the Condensed Interim Consolidated Financial Statements

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8. CAPITAL MANAGEMENT (continued)

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

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

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

The Company and its subsidiaries are not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSX Venture Exchange ("TSXV") which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required to maintain operations and cover general and administrative expenses for a period of 6 months. As at March 31, 2020, the Company may not be compliant with the policies of the TSXV. The impact of this violation is not known and is ultimately dependent on the discretion of the TSXV.

9. FINANCIAL INSTRUMENTS

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

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

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

The Company's financial instruments include cash, amounts receivable, loans payable, and accounts payable and accrued liabilities. The carrying values of these financial instruments reported in the statement of financial position approximate their respective fair values due to the relatively short-term nature of these instruments. As at March 31, 2020 and 2019, the Company had no instruments to classify in the fair value hierarchy.

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

Emerita Resources Corp.

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9. FINANCIAL INSTRUMENTS (continued)

(a) Credit risk

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

Trade credit risk

The Company is not exposed to significant trade credit risk.

a. Cash

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

(b) Currency risk

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

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

March 31, 2020

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

September 30, 2019

	Euro	US dollars	Brazilian reals
Cash	\$ 36,852	\$ 614	\$ 1,326
Accounts payable and accrued liabilities	(30,856)	(647,932)	(196,078)
	\$ 5,996	\$ (647,318)	\$ (194,752)

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

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

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

Emerita Resources Corp.

Notes to the Condensed Interim Consolidated Financial Statements

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9. FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk

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

(d) Commodity / Equity price risk

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

10. RELATED PARTY TRANSACTIONS

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

As at March 31, 2020, an amount of \$1,452,227, included in accounts payable, accrued and other liabilities, were owed to directors and officers of the Company (September 30, 2019 - \$1,261,876). The amounts outstanding on fees are unsecured, non-interest bearing, with no fixed terms of repayment.

On September 30, 2019, the Company entered into agreements with certain directors and officers relating to existing liability balances. These agreements allow for the forgiveness of \$1,005,602 in amounts owing to these directors and officers upon the non-occurrence of some future event. As a triggering event has not yet occurred, this contingent debt forgiveness has not been recognized in these financial statements. Refer to Note 12.

Compensation of key management personnel of the Company

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company. During the three and six months ended March 31, 2020 and 2019, the remuneration of directors and other key management personnel are as follows:

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

In connection with the May 23, 2019 private placement (see Note 6), officers and directors of the Company subscribed for 500,000 common shares of the Company for total proceeds of \$50,000.

In connection with the July 12, 2019 private placement (see Note 6), officers and directors of the Company subscribed for 45,000 common shares of the Company for total proceeds of \$4,500.

Emerita Resources Corp.

Notes to the Condensed Interim Consolidated Financial Statements

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10. RELATED PARTY TRANSACTIONS (continued)

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

11. SEGMENT INFORMATION

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

March 31, 2020	Spain	Canada	Brazil	Total
Cash	\$ 55,742	\$ 14,327	\$ 1,138	\$ 71,207
Other current assets	65,420	83,463	29	148,912
Reclamation deposit	17,922	-	-	17,922
Property, plant and equipment	6,019	-	3,448	9,467
Total Assets	\$ 145,103	\$ 97,790	\$ 4,615	\$ 247,508
Accounts payable and accrued liabilities	\$ 90,886	\$ 973,607	\$ 168,379	\$ 1,232,872
Other liabilities	-	1,005,602	-	1,005,602
Loans payable	-	423,675	-	423,675
Total liabilities	\$ 90,886	\$ 2,402,884	\$ 168,379	\$ 2,662,149

September 30, 2019	Spain	Canada	Brazil	Total
Cash	\$ 36,852	\$ 31,605	\$ 1,326	\$ 69,783
Other current assets	74,133	93,614	33	167,780
Reclamation deposit	16,604	-	-	16,604
Property, plant and equipment	6,495	-	3,553	10,048
Total Assets	\$ 134,084	\$ 125,219	\$ 4,912	\$ 264,215
Accounts payable and accrued liabilities	\$ 30,856	\$ 602,777	\$ 196,078	\$ 829,711
Other liabilities	-	1,005,602	-	1,005,602
Long-term loans payable	-	284,149	-	284,149
Total liabilities	\$ 30,856	\$ 1,892,528	\$ 196,078	\$ 2,119,462

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

March 31, 2020	Spain	Canada	Brazil	Total
Other income	\$ -	\$ (6)	\$ -	\$ (6)
Project evaluation expenses	44,241	7,680	197	52,117
General and administrative expenses	-	817,802	-	817,802
Losses on investment in associate	-	76,665	-	76,665
Foreign exchange loss	-	(57,189)	-	(57,189)
Loss	\$ 44,241	\$ 844,952	\$ 197	\$ 889,389
March 31, 2019	Spain	Canada	Brazil	Total
Other income	\$ (209,377)	\$ (680,843)	\$ -	\$ (890,220)
Project evaluation expenses	263,705	(188,796)	66,603	141,512
General and administrative expenses	-	560,272	-	560,272
Foreign exchange loss	-	58,203	-	58,203
(Gain)/Loss	\$ 54,328	\$ (251,164)	\$ 66,603	\$ (130,233)

Emerita Resources Corp.

Notes to the Condensed Interim Consolidated Financial Statements

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

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12. COMMITMENTS AND CONTINGENCIES

On September 30, 2019, the Company entered into agreements with certain directors and officers relating to existing liabilities. Under these agreements, these directors and officers agreed to a reduction of \$1,005,602 in amounts owing to them if the Company is unable to raise at least \$5,000,000 in equity financing prior to December 31, 2021. Should the Company be unable to complete an equity financing of at least \$5,000,000, these directors and officers have agreed to waive and permanently release the Company from these amounts owed. If the Company raises at least \$5,000,000 in equity financing prior to December 31, 2021, these amounts would remain owing to the officers and directors. As a triggering event has not taken place, the contingent gain relating to these agreements has not been reflected in these consolidated financial statements.

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

The Company is party to certain management contracts. These contracts contain minimum commitments of approximately \$309,000 (December 31, 2019 - \$313,000) and additional contingent payments of up to approximately \$1,175,000 (December 31, 2019 - \$1,190,000) upon the occurrence of a change of control. As a triggering event has not taken place, the contingent payments have not been reflected in these consolidated financial statements.

The Company is subject to various claims, lawsuits and other complaints arising in the ordinary course of business. The Company records provisions for losses when claims become probable and the amounts are estimable. Although the outcome of such matters cannot be determined, it is the opinion of management that the final resolution of these matters will not have a material adverse effect on the Company's financial condition, operations or liquidity.

The Company's joint venture agreement with the Aldesa Group requires the Company to invest an additional €1,250,000 in the development of the Plaza Norte project should the project advance to later phases. It is not currently known whether the Plaza Norte project will advance to a stage where this investment is required, therefore the expenditure has not been reflected in these consolidated financial statements.

The Company has been named as a defendant in a claim made by a group of companies regarding the payment of outstanding amounts owing to the group of companies relating to certain advertising services. The plaintiff is seeking payment in the amount of € 208,457 (approximately \$325,000). Although the ultimate outcome of this action cannot be ascertained at this time and the results of legal proceedings cannot be predicted with certainty, management believes this claim to be without merit.

13. SUBSEQUENT EVENTS

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

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

EMERITA RESOURCES CORP.
Management's Discussion and Analysis
For the six months ended March 31, 2020 and 2019
(in Canadian dollars, unless otherwise noted)

Date: June 1, 2020

This Management's Discussion and Analysis ("MD&A") provides a discussion and analysis of the financial condition and results of the operations of Emerita Resources Corp. (individually or collectively with its subsidiaries, as applicable, "Emerita" or the "Company"), to enable a reader to assess material changes in the financial condition and results of operations as at and for the six months ended March 31, 2020 and 2019. The MD&A should be read in conjunction with the unaudited condensed interim consolidated financial statements as at and for the six months ended March 31, 2020 and 2019. All amounts included in the MD&A are expressed in Canadian dollars, unless otherwise specified.

The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as published by the International Accounting Standards Board. Please refer to Note 2 of the annual audited consolidated financial statements as at and for the years ended September 30, 2019 and 2018 for disclosure of the Company's significant accounting policies.

Additional information about the Company may be found on SEDAR at www.sedar.com.

The scientific and technical contents of this MD&A have been reviewed and approved by Mr. Joaquin Merino-Marquez, P. Geo., President of the Company and a Qualified Person under National Instrument 43-101 ("NI 43-101"). As the President of the Company, Mr. Merino-Marquez is not considered independent.

The audit committee of the Company has reviewed this MD&A and the condensed interim consolidated financial statements for the six months ended March 31, 2020 and 2019, and the Company's Board of Directors approved these documents prior to their release.

Overview and Strategy

Emerita is a publicly-traded Canadian exploration and development company listed on the TSX Venture Exchange ("TSXV"). The Company is engaged in the acquisition, exploration and development of mineral properties with a primary focus on exploring in Spain. Exploration is conducted through the Company's wholly-owned Spanish subsidiary, Emerita Resources Espana S.L. ("Emerita Espana"), and its 50% owned joint venture arrangement, Cantabrica del Zinco S.L. ("CDZ").

The Company currently has one gold exploration property and one zinc exploration property in Spain, which are described in detail below under the sections entitled, "Mineral Exploration Properties – Spain". The Company continues to review project submissions and data from various sources with a view to identifying opportunities that could create value for its shareholders.

In view of the particularly severe outbreak of the Novel Coronavirus ("COVID-19") in Spain, the country remains in lockdown to contain the spread of COVID-19. However, given the country is reporting improving conditions with respect to new infections, the country is starting to gradually loosen the restrictions. The Company anticipates restarting economic activity in the coming weeks and months.

Summary of Properties and Projects

Mineral Exploration Properties – Spain

The Company has interests in one zinc property and one gold exploration property. The two properties are (i) Plaza Norte, located in the Reocin Mining Camp in Cantabria, northern Spain; and (ii) Sierra Alta, located in the Asturias region in northwestern Spain. Each of the properties is comprised of exploration permits that were issued by the Cantabrian and the Asturian regulatory authorities, respectively.

Plaza Norte Property – Description

On October 26, 2017, the Company, along with, inter alia, its Spanish joint venture partner, Aldesa, was awarded exploration concessions for 120 claims comprising 3,600 hectares in the Santillana Syncline (the "Plaza Norte Project"), through the public tender organized by the government of Cantabria. The rights to the Plaza Norte Project have been granted for an initial term of three years, with the option to renew.

The Company participated in the tender process through a joint venture company, CDZ, of which the Company owns a 50% interest. The remaining ownership interest is majority held by the Aldesa Group of Companies ("Aldesa"). Details about Aldesa can be found at www.aldesa.es. Aldesa is a specialized infrastructure construction group with over 40 years experience in the construction industry in Spain and internationally. Emerita and Aldesa formed a joint venture for the purpose of participating in the exploration and development of the Plaza Norte Project. Under the terms of the joint venture, the parties will be equally represented on the board of directors of CDZ and Emerita will be the operator of the board-approved exploration programs.

The Plaza Norte Project is in the Cantabria Region, northern Spain, in the Reocin mining district. The Cantabria region is characterized by first world infrastructure including an industrial port and an excellent rail and road network. The Reocin mine is a past producing zinc mine and among the richest zinc mines in the world.

Plaza Norte Property – Outlook

CDZ has filed the technical report for renewal of the claims comprising the Plaza Norte Project with the Ministry of Mines in Cantabria. All activities are suspended in this area due to the COVID-19 pandemic.

CDZ has received all requisite permits and has initiated the exploration program. The drilling program is focused on evaluating high-grade Mississippi Valley type zinc-lead mineralization in the past producing Reocin mining camp. The program is following up on mineralized drill intercepts identified in previous drilling during exploration campaigns completed primarily in the 1980s and 1990s.

The Company has digitally compiled and analyzed the historical technical data consisting of drill core logs and assays from more than 300 diamond drill holes, geophysical data, historical production data, and internal exploration reports for the Project. Analysis of this data has resulted in 4 key areas being identified as high priorities for exploration. These areas are (from north to south): Yuso, Queveda, San Miguel and Mercadal. All of these targets have significant mineralized intercepts, and Mercadal was the site of a past producing mine.

To date, 6 drill holes have been completed on the Queveda target (see news release dated August 8, 2019 for target details). All drill holes intersected mineralization and drill holes were generally more than 200 meters apart on this broad target area. The most significant intercepts were:

- Hole 1- intersected 4 meters grading 9.0% zinc
- Hole 2- intersected 1-meter grading 6.0% zinc
- Hole 4- intersected 1-meter grading 9.3% zinc and 1-meter grading 7.8% zinc
- Hole 5- intersected 1-meter grading 8.2% zinc

The mineralization is hosted within a breccia zone within a dolomite unit at depths between 550 and 600 meters in this area. The Breccia zones hosts pockets of collapse breccia that contains sphalerite and dolomite in variable proportions. The drilling indicates that sphalerite-rich sections on the Quebrada target seen to date are highly variable in shape, grade and width and become dolomite dominated laterally. To date, a dominant structural control that would focus the mineralization such as is seen at the adjacent Riocin deposit has not been identified at the Queveda target. CDZ expects to focus on the larger Yuso target and the past producing Mercadal target for the next phase of drilling.

Sierra Alta Property – Description

The Sierra Alta property is comprised of one exploration permit which consists of 90 mining claims comprising 2,700 hectares in the “Navelgas Gold Belt” in the Asturias region of northwestern Spain. The Company applied for the permit on November 18, 2013 and received notice that the permit for the property had been granted on July 26, 2015. The concession is valid for a three-year term and is renewable for equal and successive periods of three years. The Sierra Alta project is in a comparable geological environment to the El Valle-Boinas and Carles gold mines which operate 35 kilometres to the east of the project. Gold mineralization in the area typically occurs in high grade epithermal veins, skarns, and as intrusive related gold deposits. High grade gold samples in bedrock were identified by the Company during the initial property assessment, with grades of up to 10.65 g/t gold.

The area is characterized by extensive ancient Roman gold mine workings that align for over 10 kilometres along a NNE-SSW striking structure, of which the two largest historical excavations occur within the property boundary.

In July 2017, the restoration and investigation plan submitted to the local authorities was approved. This document initiates the three-year period of concessions and establishes the expiry date of the permit of July 31, 2020. The concessions period can be renewed for another three-year period, subject to certain conditions being satisfied.

Sierra Alta Property – Exploration

In July 2016, the Company commenced exploration on the Sierra Alta property. The initial exploration program consisted of detailed geological mapping, bedrock sampling and trenching, where required. The program was designed to identify and evaluate areas with high grade gold mineralization along more than four kilometers of strike length and prioritize the target areas for diamond drilling in a subsequent program. The initial area of focus is characterized by a high density of ancient Roman mining excavations which are distributed along a geological structure that appears to control the distribution of the mineralization.

There are two main gold geochemical anomalies within the Sierra Alta property. The anomaly in the North is approximately 3.0 kilometres long by 300 metres wide, and the one in the South is approximately 1.5 kilometres long by 200 metres wide. Recent exploration has been focused on the Northern anomaly where there is a high concentration of ancient mining excavations.

On November 3, 2017, a formal work plan was submitted by the Company to regional mining authorities. The Company has received approval of the work plan, with an expiry date of July 21, 2020.

The Company has signed a binding letter agreement with Western Metallica Corp. (“Western”), a private company, pursuant to which Western may earn a 55% interest in the Sierra Alta project (the “Sierra Transaction”). Sierra Alta is a legacy project of the Company, and not presently a focus.

To earn its 55% interest, Western shall:

- Pay \$50,000 in cash to the Company;
- Issue 500,000 shares of Western to the Company upon the renewal of the license for the Sierra Alta project;
- Spend \$500,000 on mineral exploration of the project within 24 months of the date hereof; and
- Enter into a binding joint venture agreement with the Company.

The closing of this transaction is subject to the approval of the TSX Venture Exchange.

Pursuant to Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* (“MI 61-101”), entering into the letter agreement with Western is a “related party transaction” as Joaquin

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Merino, Emerita's President and a member of Emerita's board, is a significant shareholder of Western and is Western's Chief Executive Officer. The Company is exempt from the requirements to obtain a formal valuation or minority shareholder approval in connection with the transactions contemplated by the PPA by virtue of sections 5.5(b) and 5.7(e), respectively, of MI 61-101. The letter agreement with Western was considered and unanimously approved by the board of directors of the Company. Mr. Merino abstained from voting on this matter. The alternative for the Company to not pursuing this transaction with Western would be to divest itself of the Sierra Alta project for no consideration.

Aznalcóllar Tender

On December 16, 2014, the Company submitted a detailed technical proposal, which was the final requirement for the final stage of the public tender process for the Aznalcóllar Project.

The Aznalcóllar Project is a past producing property within the Iberian Pyrite Belt that hosted the Aznalcóllar and Los Frailes open pit zinc-lead-silver mines. The focus of the project is the re-development of the Los Frailes deposit which was developed in the mid-1990s. The historical open pit mineral resource as calculated by the previous operator of the mine was estimated to be 71 million tonnes grading 3.86% zinc, 2.18% lead, 0.34% copper and 60 ppm silver.

On February 23, 2015, the panel evaluating the bids for the Aznalcóllar Project on behalf of the Junta of Andalusia (the "Panel") recommended that the tender be granted to one of the Company's competitors in the bidding process. On February 26, 2015, the Head of the Mine Department of the Junta Andalusia confirmed that the tender process had been concluded and formally granted the tender to the Company's competitor, Minera Los Frailes SL ("Los Frailes").

Given the strength of its proposal, the Company initiated an appeal to the tender process on February 27, 2015, and was accepted by a Seville court judge on March 2, 2015.

The Company has been engaged in a lengthy litigation process relating to corruption and prevarication charges against officials of the outgoing Junta in Andalusia related to the public tender for the Aznalcóllar Project. In October 2019, five judges of the Appellate Court of Seville unanimously ruled in favour of Emerita's appeal of a lower court's decision to dismiss a criminal case against the Andalusian government panel responsible for awarding the Aznalcóllar Project and the former Director of Mines of the Government of Andalusia. The criminal case was re-opened, and the scope of criminal charges expanded. All testimony relating to this phase of the proceedings has now been completed and the resolution is expected to be issued by the presiding judge shortly following the re-opening of the courts.

According to Spanish legal counsel, laws relating to public tenders in Spain stipulate that if there is commission of a crime in the awarding of a public tender, the bid shall be disqualified and the tender awarded to the next qualified bidder. In the case of the Aznalcóllar Project, Emerita is the only other qualified bidder. The timing of the legal process cannot be determined at this time and whether or not this process will result in the Company ultimately winning the rights to Aznalcóllar project remains uncertain.

Emerita remains committed to working with the community of Aznalcóllar to develop the Project in an environmentally responsible manner to benefit all stakeholders. For a summary of the legal proceedings and summary of the Aznalcóllar Project, please refer to the news releases of October 4 and October 29, 2019, and May 4, 2020.

Paymogo Tender

In September 2017, the Upper Court of Andalucía (the "Upper Court") ruled in favour of Emerita's appeal relating to the awarding of the Paymogo Zinc Project (the "Paymogo Project") tender to Mina de Aguas Tenidas SA ("Matsa") and ordered that the qualifying bids pursuant to the tender be reassessed.

When the Paymogo Project was initially awarded to Matsa in 2014, Emerita filed an appeal based on its belief that the tender process contained a number of procedural errors and had not been conducted impartially. The Upper Court found that certain of the criteria used by the panel to evaluate the offers were considered arbitrarily and had not been made known to all the participants in the tender process and that "the panel made an arbitrary assessment of the bids favoring one bidder to the detriment of the others". As a result, the Upper Court ruled in favour of Emerita's appeal and rescinded the awarding of the Paymogo Project.

The Upper Court directed the panel to reassess the bids excluding the criteria that were not previously publicly disclosed. In November 2019, the Supreme Court of Spain confirmed the ruling supporting Emerita's challenge to the tender process, and that the tender bid results be recalculated excluding certain criteria. In February 2020, the Supreme Court instructed the panel responsible for awarding the project to execute its ruling. A new Director of Mines has been named which will provide for the Supreme Court's ruling to be implemented upon the removal of COVID-19 restrictions. Spanish external legal counsel has indicated that the process requires that the Director of Mines now reconvene the panel and have them formally eliminate the criteria that were deemed illegal by the courts. Using the legal and publicly disclosed criteria, the Company is expected to be the winning bidder, and is prepared to begin work on the Paymogo project as soon as the tender can be finalized.

The Paymogo Project is located within the famous Iberian Pyrite Belt, one of the most highly mineralized volcanogenic massive sulfide (VMS) terranes in the world. The Project is located in the western part of the belt, adjacent to the border with Portugal, approximately 70km west of Seville and 50km from the port city of Huelva. The Project extends along a strike length of approximately 18km. Access to the Project is excellent via paved and all-weather gravel roads. Within the Project area, several base metal occurrences have been identified by previous exploration, the most significant of which are the La Infanta and Romanera deposits.

The Romanera deposit was drilled primarily by Minera Rio Tinto in the 1990's and is reported to contain 34 million tonnes grading 0.42% copper, 2.20% lead, 2.3% zinc, 44.4g/t silver and 0.8g/t gold, within which there is a higher grade resource of 11.21 million tonnes grading 0.40% copper, 2.47% lead, 5.50% zinc, 64.0 g/t silver and 1.0 g/t gold (The Volcanic Hosted Massive Sulphide Deposits of the Iberian Pyrite Belt, Garcia-Cortes ed., 2011). A qualified person, as defined by National Instrument 43-101, has not done sufficient work on behalf of Emerita to classify the historical estimate reported above as current mineral resources or mineral reserves, as Emerita is not treating the historical estimate as such. The historical estimate should not be relied upon. The deposit extends from surface to approximately 350 metres depth on historical drilling. The mineralization remains open for further expansion down dip beyond the limits of the existing drilling.

The La Infanta mineralized zone has been drilled from surface where it outcrops to a depth of approximately 100 metres. Numerous high-grade intercepts occur within the zone, and it remains open for expansion at shallow depths. Drilling was completed by Phelps Dodge in the mid-1980's. La Infanta is located approximately 8km to the east of the La Romanera deposit.

For further details of the legal process and technical details of the Project, please refer to the Company's press releases dated November 6, 2019 and May 4, 2020.

Mineral Exploration Properties – Brazil

Falcon Project – Description

In June 2016, the Company entered into a binding letter agreement (the “Falcon Agreement”) with Falcon Metais Ltda. (“Falcon”) pursuant to which Falcon granted to Emerita an option (the “Option”) to acquire a 100% interest in the Falcon Lítio MG Project (the “Falcon Project”). The Falcon Project is adjacent to Brazil’s only lithium mining operation owned by Companhia Brasileira de Lítio (“CBL”) and the northwestern property boundary of the Falcon Project is just 500 meters from the CBL mine. The Falcon Project is comprised of five exploration permits and one application for an exploration permit.

Pegmatite dykes similar to the mineralized dykes on the adjacent property have been identified during the initial field reconnaissance of the area. Lithium mineralization in the area is associated with Neoproterozoic granitic intrusions that have deposited lithium mineralization with minor contents of rare metals such as thallium, niobium and tin in the apical aureole of these intrusions. Mineralization is hosted by pegmatite dykes with widths varying from 5 to 30 meters and strike in excess of 1 kilometre. The mineralized pegmatite dyke system is structurally-controlled by a framework of NW and NE crosscutting faults and fractures, and locally is characterized by stockwork systems or sets of sub-parallel sheeted-dykes. The main lithium mineral at the adjacent operation is spodumene with minor amounts of petalite.

To acquire the Option, Emerita issued 100,000 common shares to Falcon in June 2016, at a price per share of \$0.775. An additional 100,000 common shares were issued on August 28, 2017 at a price per share of \$0.60 based on the estimated market value of the shares on the date of issuance. The Company issued the third and final tranche of 100,000 common shares to Falcon on September 12, 2018 at a price per share of \$0.20, based on the quoted market value of the shares on the date of issuance. Falcon will retain a transferable 2% net smelter royalty on all commercial sales from the Lítio Project.

In addition, if a “mineral resource”, as defined in NI 43-101, of at least 20 million tonnes with a grade of at least 1.3% LiO₂ is delineated at the Falcon Project, Emerita shall either, (i) pay CAD\$5 million in cash to Falcon or, by its sole discretion, (ii) issue CAD\$5 million worth (to be determined on a reasonable volume weighted average price basis) of common shares to Falcon (the “Resource Consideration”).

The Resource Consideration shall only be paid by Emerita if (i) the mineral resource is verified by a “qualified person”, as such term is defined in NI 43-101, who is independent of Emerita and Falcon, and (ii) at least 50% of the mineral resource is categorized as an “indicated mineral resource” or “measured mineral resource”, as defined in NI 43-101.

Falcon Project – Outlook

The Falcon Project provides an opportunity for the Company to add value at a low cost. Further updates will be provided as they become available.

Liquidity and Capital Resources

As at March 31, 2020, the Company had working capital deficit of \$2,442,030 (September 30, 2019 – working capital deficit of \$1,597,750), which included a cash balance of \$71,207 (September 30, 2019 - \$69,783), amounts receivable of \$49,478 (September 30, 2019 - \$58,598), and prepaid expenses and advances of \$99,434 (September 30, 2019 - \$109,182), offset by accounts payable and accrued liabilities and other liabilities of \$2,662,149 (September 30, 2019 - \$1,835,313). Other liabilities are in the amount of \$1,005,602 and will only be payable if the Company has achieved a milestone event allowing the Company the ability to raise a minimum of \$5 million. This amount is also only due to current officers and directors of the Company for past services provided.

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Results of Operations

Three months ended March 31, 2020 and 2019

During the three months ended March 31, 2020, the Company recorded a (loss) of \$(194,092), or (\$0.00) per share, compared with a (loss) of \$(363,535) or \$(0.01) per share, during the comparable three months ended March 31, 2019.

Expenses incurred during the three months ended March 31, 2020 included \$103,088 in consulting and management fees; \$18,092 in shareholder communications, filing fees, and promotional expenses; \$24,708 in office expenses for office administration services; and \$47,300 in professional fees related to legal expenses and the preparation and audit of the Company's financial statements. During the three months ended March 31, 2020, project evaluation expenses of \$2,206 were incurred relating to the evaluation of mineral properties within Spain and Brazil.

Expenses incurred during the three months ended March 31, 2019 included \$310,639 in consulting and management fees; \$13,284 in shareholders communications, filing fees, and promotional expenses; \$28,985 in office expenses for office administration services; and \$4,000 in professional fees related to the preparation and audit of the Company's financial statements. In addition, project evaluation expenses of \$(17,028) were incurred, relating to the evaluation of mineral properties in Spain and Brazil.

Six months ended March 31, 2020 and 2019

During the six months ended March 31, 2020, the Company recorded a (loss) of \$(889,389), or (\$0.02) per share, compared with a gain of \$130,233 or \$0.00 per share, during the comparable six months ended March 31, 2019.

Expenses incurred during the six months ended March 31, 2020 included \$289,582 in consulting and management fees; \$36,845 in shareholder communications, filing fees, and promotional expenses; \$47,679 in office expenses for office administration services; \$73,835 in professional fees related to legal expenses and the preparation and audit of the Company's financial statements; and \$329,995 in share-based compensation to directors, officers, and consultants of the Company. During the six months ended March 31, 2020, project evaluation expenses of \$52,117 were incurred relating to the evaluation of mineral properties within Spain and Brazil.

Expenses incurred during the six months ended March 31, 2019 included \$444,623 in consulting and management fees; \$40,998 in shareholders communications, filing fees, and promotional expenses; \$44,465 in office expenses for office administration services; and \$4,400 in professional fees related to the preparation and audit of the Company's financial statements. In addition, project evaluation expenses of \$141,512 were incurred, relating to the evaluation of mineral properties in Spain and Brazil.

Cash flows

Six months ended March 31, 2020

During the six months ended March 31, 2020, the Company used cash of \$108,249 on operating activities. Cash used in operating activities consisted primarily of new project evaluation expenses incurred on the Company's properties in Spain and Brazil, corporate general and administrative expenses, interest expense, and share-based compensation issued during the year.

During the six months ended March 31, 2020, investing activities used \$327, which related to the Company's investment in both its joint arrangement and its mineral properties.

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During the six months ended March 31, 2020, financing activities generated \$110,000 from proceeds received from a short-term loan.

Six months ended March 31, 2019

During the six months ended March 31, 2019, the Company used cash of \$244,536 on operating activities. Cash used in operating activities consisted mainly of new project evaluation expenses incurred on the Company's properties in Spain and Brazil, corporate general and administrative expenses, and a gain from the settlement of outstanding liabilities.

There were no investing activities during the six months ended March 31, 2019.

During the six months ended March 31, 2019, financing activities generated \$250,000 in cash, which consisted of the proceeds from the Company's loan payable.

Select Annual Information

Select annual financial information for the years ended September 30, 2019, 2018 and 2017 is presented in the table below:

	2019	2018	2017
	\$	\$	\$
Revenues	\$ -	\$ -	\$ -
Loss and comprehensive loss	(2,087,441)	(4,566,678)	(2,522,973)
Loss per share, basic and diluted	(0.06)	(0.17)	(0.03)
Total assets	264,215	253,533	687,171
Working capital ('000s)	(1,598)	(1,830)	(1,460)

Select Quarterly Information

Select quarterly financial information for the most recent eight quarters is presented in the table below:

Period	Revenue (1)	Operating		Loss per share	Total assets
		costs	Gain/(loss)		
	\$	\$	\$	\$	\$
Q2- March 2020	-	195,394	(194,092)	(0.00)	247,508
Q1- December 2019	-	634,659	(695,297)	(0.01)	224,776
Q4- September 2019	-	(24,909)	(1,620,177)	(0.05)	264,215
Q3- June 2019	-	507,139	(594,497)	(0.01)	1,766,206
Q2- March 2019	-	339,880	(363,535)	(0.00)	912,312
Q1- December 2018	-	339,118	490,768	0.00	898,215
Q4- September 2018	-	2,881,368	(3,048,035)	(0.10)	894,051
Q3- June 2018	-	474,385	(480,747)	(0.02)	3,413,807
Q2- March 2018	-	433,910	(428,080)	(0.01)	3,793,092

Explanatory Notes:

- 1) The Company has no sales revenues.

Financial Instruments

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

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

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

The Company's financial instruments include cash, amounts receivable, loans payable, and accounts payable and accrued liabilities. The carrying values of these financial instruments reported in the statement of financial position approximate their respective fair values due to the relatively short-term nature of these instruments. As at March 31, 2020 and 2019, the Company had no instruments to classify in the fair value hierarchy.

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

(a) *Credit risk*

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

a. *Trade credit risk*

The Company is not exposed to significant trade credit risk.

b. *Cash*

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

(b) *Currency risk*

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

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

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

September 30, 2019				
		Euro	US dollars	Brazilian reals
Cash	\$	36,852	\$ 614	\$ 1,326
Accounts payable and accrued liabilities		(30,856)	(647,932)	(196,078)
	\$	5,996	\$ (647,318)	\$ (194,752)

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

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

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

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. At March 31, 2020, the Company had a cash balance of \$71,207 (September 30, 2019 - \$69,783) to settle current liabilities of \$2,662,149 (September 30, 2019 - \$1,835,313). The Company's trade payables have contractual maturities of less than 30 days and are subject to normal trade terms.

d) Commodity / Equity price risk

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

Critical Accounting Policies

The Company's significant accounting policies are described in Note 2 to the audited consolidated financial statements for the year ended September 30, 2019. The preparation of statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The following is a list of the accounting policies that management believes are critical, due to the degree of uncertainty regarding the estimates and assumptions involved and the magnitude of the asset, liability or expense being reported:

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- Foreign currencies
- Exploration and evaluation properties

Foreign currencies

The Foreign currency translation 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 financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Exchange differences are recognized in operations in the period in which they arise.

The Company makes expenditures and incurs costs in Euros ("EUR"), United States Dollars ("US\$") and Brazilian reais ("BRL"). At March 31, 2020, one Canadian dollar was worth US\$0.7049 (September 30, 2019– US\$0.7551); EUR 0.6417 (September 30, 2019 – EUR 0.6926); and BRL 3.6603 (September 30, 2019 – BRL 3.1417). During the six months ended March 31, 2020, the average value of one Canadian dollar was US\$0.7507 (September 30, 2019 – US\$0.7535); EUR 0.6796 (September 30, 2019 – EUR 0.6680); and BRL 3.2103 (September 30, 2019 – BRL 2.9104).

Exploration and evaluation expenditures

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

During the year ended September 30, 2019, the Company changed its accounting policy of capitalizing exploration and evaluation expenditures. The Company believes that expensing such costs as incurred provides more reliable and relevant financial information. Cost of exploration properties, including the cost of acquiring prospective properties and exploration rights, and exploration and evaluation costs are expensed until it has been established that a mineral property is commercially viable. Previously, the Company capitalized these amounts. The audited consolidated financial statements for the year ended September 30, 2018 have been restated to reflect adjustments made as a result of this change in accounting policy.

Commitments and Contingencies

On September 30, 2019, the Company entered into agreements with certain directors and officers relating to existing liabilities. Under these agreements, these directors and officers agreed to a reduction of \$1,005,602 in amounts owing to them if the Company is unable to raise at least \$5,000,000 in equity financing prior to December 31, 2021. Should the Company be unable to complete an equity financing of at least \$5,000,000, these directors and officers have agreed to waive and permanently release the Company from these amounts owed. If the Company raises at least \$5,000,000 in equity financing prior to December 31, 2021, these amounts would remain owing to the officers and directors. As a triggering event has not taken place, the contingent gain relating to these agreements has not been reflected in the condensed interim consolidated financial statements.

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

The Company is party to certain management contracts. These contracts contain minimum commitments of approximately \$309,000 (2019 - \$313,000) and additional contingent payments of up to approximately \$1,175,000 (2019 - \$1,190,000) upon the occurrence of a change of control. As a triggering event has not taken place, the contingent payments have not been reflected in these consolidated financial statements.

The Company is subject to various claims, lawsuits and other complaints arising in the ordinary course of business. The Company records provisions for losses when claims become probable and the amounts are estimable. Although the outcome of such matters cannot be determined, it is the opinion of management that the final resolution of these matters will not have a material adverse effect on the Company's financial condition, operations or liquidity.

The Company's joint venture agreement with the Aldesa Group requires the Company to invest an additional €1,250,000 in the development of the Plaza Norte project should the project advance to later phases. It is not currently known whether the Plaza Norte project will advance to a stage where this investment is required, therefore the expenditure has not been reflected in these consolidated financial statements.

The Company has been named as a defendant in a claim made by a group of companies regarding the payment of outstanding amounts owing to the group of companies relating to certain advertising services. The plaintiff is seeking payment in the amount of € 208,457 (approximately \$325,000). Although the ultimate outcome of this action cannot be ascertained at this time and the results of legal proceedings cannot be predicted with certainty, management believes this claim to be without merit.

Transactions with Related Parties

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

As at March 31, 2020, an amount of \$1,452,227, included in accounts payable, accrued and other liabilities, were owed to directors and officers of the Company (September 30, 2019 - \$1,261,876). The amounts outstanding on fees are unsecured, non-interest bearing, with no fixed terms of repayment.

On September 30, 2019, the Company entered into agreements with certain directors and officers relating to existing liability balances. These agreements allow for the forgiveness of \$1,005,602 in amounts owing to these directors and officers upon the non-occurrence of some future event. As a triggering event has not yet occurred, this contingent debt forgiveness has not been recognized in the condensed interim consolidated financial statements.

Compensation of key management personnel of the Company

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company. During the three and six months ended March 31, 2020 and 2019, the remuneration of directors and other key management personnel are as follows:

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

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In connection with the May 23, 2019 private placement, officers and directors of the Company subscribed for 500,000 common shares of the Company for total proceeds of \$50,000.

In connection with the July 12, 2019 private placement, officers and directors of the Company subscribed for 45,000 common shares of the Company for total proceeds of \$4,500.

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

Risk Factors

Mining exploration inherently contains a high degree of risk and uncertainty, which even a combination of careful evaluation, experience and knowledge may not eliminate. The following are certain factors relating to the business of the Company, which investors should carefully consider when making an investment decision concerning the Company's shares. These risks and uncertainties are not the only ones facing the Company. Additional risks and uncertainties not presently known that the Company currently deems immaterial, may also impair the operations of the Company. If any such risks occur, the financial condition, liquidity and results of operations of the Company could be materially adversely affected and the ability of the Company to implement its growth plans could be adversely affected. An investment in the Company is speculative. An investment in the Company will be subject to certain material risks and investors should not invest in securities of the Company unless they can afford to lose their entire investment. The following is a description of certain risks and uncertainties that may affect the Company.

Novel Coronavirus ("COVID-19")

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

Substantial Capital Requirements and Liquidity

Substantial additional funds for the establishment of the Company's current and planned operations will be required. No assurances can be given that the Company will be able to raise the additional funding that may be required for such activities, should such funding not be fully generated from operations. Mineral prices, environmental rehabilitation or restitution, current financial conditions, revenues, taxes, capital expenditures, operating expenses and geological results are all factors which will have an impact on the amount of additional capital that may be required. To meet such funding requirements, the Company may be required to undertake additional equity financing, which would be dilutive to shareholders. Debt financing, if available, may also involve restrictions on financing and operating activities. There is no assurance that additional financing will be available on terms acceptable to the Company or at all. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and pursue only those projects that can be funded through cash flows generated from its existing operations, if any.

Financing Risks and Dilution to Shareholders

The Company will have limited financial resources, no operations and no revenues. Even if the Company's exploration program on one or more of the properties is successful, additional funds will be required for the purposes of further exploration and development. There can be no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be available on favourable terms or at all. It is likely such additional capital will be raised through the issuance of additional equity which would result in dilution to the Company's shareholders.

Limited Operating History

The Company is a relatively new company with limited operating history. The Company only recently acquired its interest in its material properties and the Company has no history of business or mining operations, revenue generation or production history. The Company has yet to generate a profit from their activities. The Company will be subject to all the business risks and uncertainties associated with any new business enterprise, including the risk that it will not achieve its growth objective. The Company anticipates that it may take several years to achieve positive cash flow from operations.

No Mineral Resources or Mineral Reserves

Resource exploration is a speculative business, characterized by a number of significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but also from finding mineral deposits that, though present, are insufficient in quantity and quality to return a profit from production. The marketability of minerals acquired or discovered by the Company may be affected by numerous factors which are beyond the control of the Company and which cannot be accurately predicted, such as market fluctuations, the proximity and capacity of milling facilities, mineral markets and processing equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals, and environmental protection, the combination of which factors may result in the Company not receiving an adequate return of investment capital.

The Company's properties are in the exploration stage only and, to date, no mineral resources or mineral reserves have been identified. Development of the Company's properties will follow only if favourable exploration results are obtained. The business of exploration for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. There is no assurance that any mineral resources or mineral reserves will be identified or developed. The long-term profitability of the Company's operations will in part be directly related to the costs and success of its exploration programs, which may be affected by a number of factors.

Substantial expenditures are required to establish mineral resources and mineral reserves and to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a timely basis.

Fluctuating Mineral Prices

The economics of mineral exploration are affected by many factors beyond the Company's control, including commodity prices, the cost of operations, variations in the grade of minerals explored and fluctuations in the market price of minerals. Depending on the price of minerals, the Company may determine that it is impractical to continue a mineral exploration operation.

Mineral prices are prone to fluctuations and the marketability of minerals is affected by government regulation relating to price, royalties, allowable production and the importing and exporting of minerals, the

effect of which cannot be accurately predicted. There is no assurance that a profitable market will exist for the sale of any minerals that may be found on the Properties.

Regulatory, Permit and License Requirements

The current or future operations of the Company require permits from various governmental authorities, and such operations are and will be governed by laws and regulations that may concern, among other things, exploration, development, production, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, site safety and other matters. Companies engaged in the exploration and development of mineral properties generally experience increased costs and delays in development and other schedules because of the need to comply with applicable laws, regulations and permits. There can be no assurance that all permits which the Company may require for facilities and the conduct of exploration and development operations on its properties will be obtainable on reasonable terms, or that such laws and regulations will not have an adverse effect on any exploration or development project which the Company might undertake.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in exploration and development operations may be required to compensate those suffering loss or damage by reason of the exploration and development activities and may have civil or criminal fines or penalties imposed upon them for violation of applicable laws or regulations. Amendments to current laws, regulations and permits governing operations and activities of mineral companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or exploration and development costs, or require abandonment or delays in the development of new or existing properties.

With respect to the Aznalcóllar and Paymogo tender appeal processes, there can be no certainty with respect to further developments of the appeal or the results of any recourse initiated by the applicable governmental entities in Spain with respect to the tender processes. In addition, there can be no certainty with respect to the timing regarding any potential resolution of the tender review processes, the ability of the Company to be successful with its appeal or the potential for the Company to be awarded either project.

Title to Properties

Acquisition of title to mineral properties is a very detailed and time-consuming process. Title to, and the area of, mineral properties may be disputed. The Company cannot give an assurance that title to some or all the Company's interest in its properties will not be challenged or impugned. Mineral properties sometimes contain claims or transfer histories that examiners cannot verify. A successful claim that the Company does not have the interest it understands it has in its properties could cause the Company to lose any rights to explore, develop and mine any minerals on such properties without compensation for its prior expenditures relating thereto.

Competition

The mineral exploration and development industry is highly competitive. The Company will have to compete with other companies, many of which have greater financial, technical and other resources than the Company, for, among other things, the acquisition of minerals claims, leases and other mineral interests, as well as for the recruitment and retention of qualified employees and other personnel. Failure to compete successfully against other companies could have a material adverse effect on the Company and its prospects.

Reliance on Management and Dependence on Key Personnel

The success of the Company will be largely dependent upon the performance of its directors and officers and the ability to attract and retain key personnel. The loss of the services of these persons may have a material adverse effect on the Company's business and prospects. The Company will compete with numerous other companies for the recruitment and retention of qualified employees and contractors. There is no assurance that the Company can maintain the service of its directors and officers or other qualified personnel required to operate its business. Failure to do so could have a material adverse effect on the Company and its prospects.

Environmental Risks

The Company's exploration and appraisal programs will, in general, be subject to approval by regulatory bodies. Additionally, all phases of the exploration, development and mining business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of international conventions and national and local laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with exploration, development and mining operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs.

Local Resident Concerns

Apart from ordinary environmental issues, the exploration, development and mining of the Company's properties could be subject to resistance from local residents that could either prevent or delay exploration and development of the properties.

Conflicts of Interest

Certain of the directors and officers of the Company will be engaged in, and will continue to engage in, other business activities on their own behalf and on behalf of other companies (including mineral resource companies) and, as a result of these and other activities, such directors and officers may become subject to conflicts of interest. The *Business Corporations Act* (British Columbia) ("BCBCA") provides that in the event that a director has a material interest in a contract or proposed contract or agreement that is material to a Company, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement, subject to and in accordance with the BCBCA. To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the BCBCA.

Foreign Operations

The Company's properties are located in Spain and Brazil. As such, the Company's proposed activities with respect to its properties will be subject to governmental, political, economic and other uncertainties, including but not limited to expropriation of property without fair compensation, repatriation of earnings, nationalization, currency fluctuations and devaluations, exchange controls and increases in government fees, renegotiation or nullification of existing concessions and contracts, changes in taxation policies, economic sanctions and the other risks arising out of foreign governmental sovereignty over the areas in which the Company's operations will be conducted, as well as risks including loss due to civil strife, acts of war, insurrections and the actions of national labour unions. Future government actions concerning the economy, taxation, or the operation and regulation of nationally important facilities such as mines, could have a significant effect on the Company. No assurances can be given that the Company's plans and

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operations will not be adversely affected by future developments in Spain and/or Brazil. Any changes in regulations or shifts in political attitudes will be beyond the Company's control and may adversely affect the Company's business.

Uninsurable Risks

Exploration, development and production operations on mineral properties involve numerous risks, including unexpected or unusual geological operating conditions, rock bursts, cave-ins, fires, floods, earthquakes and other environmental occurrences, any of which could result in damage to, or destruction of, equipment and mines, damage to life or property, environmental damage and possible legal liability. Although precautions to minimize risk will be taken, operations are subject to hazards that may result in environmental pollution and consequent liability that could have a material adverse impact on the business, operations and financial performance of the Company. It is not always possible to obtain insurance against all such risks and the Company may decide not to insure against certain risks as a result of high premiums or other reasons. Should such liabilities arise, they could have an adverse impact on the Company's results of operations and financial condition and could cause a decline in the value of the Company securities.

Litigation

The Company and/or its directors or officers may be subject to a variety of civil or other legal proceedings, with or without merit.

Subsequent Events

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

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

Outstanding Share Data

As at the date of this MD&A, the Company has:

- 1) 50,614,165 common shares outstanding;
- 2) 1,443,900 warrants outstanding, with expiry dates ranging from May 23, 2021 to July 12, 2021. If all of the warrants were exercised, 1,443,900 shares would be issued for gross proceeds of \$144,390.
- 3) 4,730,000 stock options outstanding with expiry dates ranging between August 29, 2021 and November 7, 2024. If all of the options are exercised, 4,730,000 shares would be issued for gross proceeds of \$885,000.

CAUTIONARY STATEMENT REGARDING FORWARD LOOKING INFORMATION

This MD&A contains forward-looking information under Canadian securities legislation. Forward-looking information includes, but is not limited to, dispositions and strategy, development potential and timetable of the Company's exploration properties; the Company's ability to raise required funds; future mineral prices; mineralization projections; conclusions of economic evaluation; the timing and amount of estimated future exploration and development; costs of development; capital expenditures; success of exploration activities; mining or processing issues; currency exchange rates; government regulation of mining operations; and environmental risks. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking information is based on the opinions and estimates of management as of the date such statements are made. Estimates regarding the anticipated timing, amount and cost of exploration are based on previous industry experience and regional political and economic stability. Capital and operating cost estimates are based on extensive research of the Company, recent estimates of costs and other factors that are set out herein. Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information, including but not limited to risks related to: unexpected events and delays during exploration and development; acquisition risks; regulatory risks; revocation of government approvals; timing and availability of external financing on acceptable terms; actual results of current exploration activities; changes in project parameters as plans continue to be refined; future prices of minerals; accidents, labour disputes and other risks of the mining industry. Although management of the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. The Company does not undertake to update its forward-looking information, except in accordance with applicable securities laws.

