EMERITA
RESOURCES CORP.

Condensed Interim Consolidated Financial Statements

For the three months ended December 31, 2019 and 2018

(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.

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Emerita Resources Corp.

Condensed Interim Consolidated Statements of Financial Position

Expressed in Canadian Dollars- Unaudited

As at:	Note	**December 31, 2019 $**	September 30, 2019 $
ASSETS			
Current			
Cash		**55,509**	69,783
Amounts receivable		**46,749**	58,598
Prepaid expenses		**96,281**	109,182
Total current assets		**198,539**	237,563
Long-term			
Reclamation deposit		**16,770**	16,604
Equipment		**9,467**	10,048
Total assets		**224,776**	264,215
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	8.9	**1,142,682**	829,711
Other liabilities	11	**1,005,602**	1,005,602
Current liabilities		**2,148,284**	1,835,313
Long-term loans payable	10	**297,041**	284,149
Total liabilities		**2,445,325**	2,119,462
SHAREHOLDERS' EQUITY/(DEFICIENCY)			
Common shares	5	**13,695,088**	13,695,088
Warrant reserve	6	**108,800**	1,059,905
Option reserve	6	**673,095**	343,100
Deficit		**(16,697,532)**	(16,953,340)
Total shareholders' equity/(deficiency)		**(2,220,549)**	(1,855,247)
Total liabilities and shareholders' equity/(deficiency)		**224,776**	264,215

Nature of operations and going concern	1
Commitments and contingencies	11
Subsequent events	12

Approved on behalf of the Board of Directors on February 28, 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

	Note	Three months ended December 31, 2019 $	2018 $
Expenses			
Project evaluation expenses	4	**49,911**	158,540
Consulting and management fees		**186,494**	133,984
Professional fees		**26,535**	400
Shareholder communication and filing fees		**6,580**	17,606
Promotion		**12,173**	10,108
Office expenses		**22,971**	15,480
Share-based compensation	6	**329,995**	-
(Loss) for the period before other items		**(634,659)**	(336,118)
Other items			
Loss on investment in associate	3	**(9,700)**	-
Gain on settlement of liabilities		**-**	890,153
Interest expense	7	**(12,892)**	(3,029)
Foreign exchange (loss)		**(38,046)**	(57,238)
Comprehensive (loss) for the period		**(695,297)**	493,768
Basic and diluted (loss) per share		**$ (0.01)**	$ 0.02
Weighted average number of common shares outstanding			
Basic and Diluted		**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

	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	-	-	(951,105)	-	951,105	-
Option reserve	-	-	-	329,995	-	329,995
Loss and comprehensive loss for the period	-	-	-	-	(695,297)	(695,297)
Balance, December 31, 2019	**50,614,165**	**13,695,088**	**108,800**	**673,095**	**(16,697,532)**	**(2,220,549)**
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	-	-	-	-	493,768	493,768
Balance, December 31, 2018	**19,413,965**	**11,775,614**	**951,105**	**348,000**	**(13,736,513)**	**(661,794)**

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

Emerita Resources Corp.

Condensed Interim Consolidated Statements of Cash Flows

Expressed in Canadian Dollars- Unaudited

	Note	Three months ended December 31, 2019 $	2018 $
Cash (used in)/provided by:			
Operating activities			
Gain/(loss) for the period		**(695,297)**	493,768
Items not involving cash:			
Share-based compensation	6	**329,995**	-
Interest expense		**12,892**	-
Amortization		**908**	887
Working capital adjustments:		**337,555**	(522,883)
Net cash (used in) operating activities		**(13,947)**	(28,228)
Investing activities			
Property, plant and equipment		**-**	(416)
Investment in associate	3	**-**	(9,594)
Exploration and evaluation properties, net of change in working capital		**(327)**	(682)
Net cash (used in) investing activities		**(327)**	(10,692)
Financing activities			
Proceeds from loans	7	**-**	125,740
Net cash provided by financing activities		**-**	125,740
Change in cash, during the period		**(14,274)**	86,820
Cash, beginning of period		**69,783**	31,325
Cash, end of period		**55,509**	118,145

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Emerita Resources Corp. (the "Company", or "Emerita") was incorporated on October 30, 2009 as 0865140 BC Ltd. pursuant to the *Business Corporations Act 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 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.

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 months ended December 31, 2019 and 2018 were reviewed, approved and authorized for issue by the Board of Directors of the Company on February 28, 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:

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.

2. 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 11.

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.

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 three months ended December 31, 2019 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	9,700
Loss from investment in associate, equity method	(9,700)
Balance, December 31, 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 and December 31, 2019:

Cantabrica del Zinco S.L.

As at:		**31-Dec-19**		**30-Sep-19**
Cash and cash equivalents	**$**	**150,757**	**$**	**30,790**
Current assets		**170,746**		**111,688**
Property, plant and equipment		**13,665**		**14,025**
Current liabilities		**449,058**		**(547,827)**
Long-term liabilities		**1,651,265**		**(1,515,589)**

		3 months ended		**Year ended**
		31-Dec-19		**30-Sep-19**
Operating expenses	**$**	**(221,740)**	**$**	**(1,639,752)**
Net loss and comprehensive loss		**(221,740)**		**(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 three months ended December 31, 2019 was $110,870 (year ended September 30, 2019: $819,876). As the losses exceed the amount of the Company's interest in the investment in associate, $101,170 of the losses have not been reflected in the Company's consolidated statement of loss and comprehensive loss for the three months ended December 31, 2019 (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 $218,328 at December 31, 2019 (September 30, 2019: $117,158).

Expressed in Canadian Dollars- Unaudited

4. EXPLORATION AND EVALUATION EXPENDITURES

		2020		2019
Land management fees, taxes and permits	$	97	$	-
Travel, meals and accomodations		-		5,321
Legal fees		(1,117)		-
Project overhead costs		50,930		153,219
Total exploration and evaluation expenditures	**$**	**49,911**	**$**	**158,540**

As at December 31, 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 Litio 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 Litio MG Project (the "Litio Project"). The Litio 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 Litio 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% LiO_2 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.

Expressed in Canadian Dollars- Unaudited

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. COMMON SHARES

Authorized

At December 31, 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, 2018	**28,419,165**	**$**	**11,775,614**
Private placement, net of issuance costs	22,195,000		2,028,274
Warrant valuation	-		(108,800)
Balance, September 30 and December 31, 2019	**50,614,165**	**$**	**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.

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.

Expressed in Canadian Dollars- Unaudited

6. EQUITY RESERVES

Warrants

The changes in warrants issued during the year ended September 30, 2019 and three months ended December 31, 2019 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, December 31, 2019	**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 December 31, 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
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 December 31, 2019 is 1.40 years (2018 – 0.97 years).

Share-based payments

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

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	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, December 31, 2019	**4,730,000**	**$**	**0.19**	**$**	**673,095**

Expressed in Canadian Dollars- Unaudited

6. EQUITY RESERVES (Continued)

Share-based payments (continued)

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 December 31, 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	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 December 31, 2019 is 4.17 years (2018 – 2.70 years).

7. CAPITAL MANAGEMENT

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

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

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

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no significant changes in the Company's approach to capital management during the three months ended December 31, 2019 and 2018.

7. CAPITAL MANAGEMENT (Continued)

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 December 31, 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 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.

8. 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 December 31, 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.

8. FINANCIAL INSTRUMENTS (Continued)

(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 and December 31, 2019, the Company had the following financial instruments and denominated in foreign currency (expressed in Canadian dollars):

December 31, 2019

		Euro		US dollars		Brazilian reals
Cash	$	52,162	$	0	$	1,346
Accounts payable and accrued liabilities		(85,048)		(681,063)		(199,133)
	$	(32,886)	$	(681,063)	$	(197,787)

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 $68,000 (September 30, 2019 - $65,000).

A 10% strengthening (weakening) of the Canadian dollar against the Brazilian real would decrease (increase) net loss by approximately $20,000 (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 December 31, 2019, the Company had a cash balance of $55,509 (September 30, 2019 - $69,783) to settle current liabilities of $2,148,284 (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.

Expressed in Canadian Dollars- Unaudited

9. 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 December 31, 2019, an amount of $1,349,283, included in accounts payable 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 11.

Compensation of key management personnel of the Company

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company. During the three months ended December 31, 2019 and 2018, the remuneration of directors and other key management personnel are as follows:

	Three months ended December 31,	
	2019	**2018**
Management fees	$ 121,690	$ 52,500
Share-based compensation	321,076	-

In connection with the May 23, 2019 private placement (see Note 8), 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), 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), officers and directors of the Company subscribed for 850,000 units of the Company for total proceeds of $425,000.

10. 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 December 31 and September 30, 2019:

Expressed in Canadian Dollars- Unaudited

10. SEGMENT INFORMATION (Continued)

December 31, 2019	Spain	Canada	Brazil	Total
Cash	$ 52,162	$ 2,001	$ 1,346	$ 55,509
Other current assets	61,218	81,778	34	143,030
Reclamation deposit	16,770	-	-	16,770
Property, plant and equipment	6,019	-	3,448	9,467
Total Assets	**$ 136,169**	**$ 83,779**	**$ 4,828**	**$ 224,776**
Accounts payable and accrued liabilities	$ 85,048	$ 858,501	$ 199,133	$ 1,142,682
Other liabilities	-	1,005,602	-	1,005,602
Long-term loans payable	-	297,041	-	297,041
Total liabilities	**$ 85,048**	**$ 2,161,144**	**$ 199,133**	**$ 2,445,325**

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 three months ended December 31, 2019 and 2018:

December 31, 2019	Spain	Canada	Brazil	Total
Other income	$ -	$ -	$ -	$ -
Project evaluation expenses	43,949	5,760	203	49,911
General and administrative expenses	-	597,640	-	597,640
Losses on investment in associate	-	9,700	-	9,700
Foreign exchange loss	-	38,046	-	38,046
Loss	**$ 43,949**	**$ 651,146**	**$ 203**	**$ 695,297**

December 31, 2018	Spain	Canada	Brazil	Total
Other income	$ (209,280)	$ (680,873)	$ -	$ (890,153)
Project evaluation expenses	138,995	(38,796)	58,341	158,540
General and administrative expenses	-	180,607	-	180,607
Foreign exchange loss	-	57,238	-	57,238
(Gain)/Loss	**$ (70,285)**	**$ (481,824)**	**$ 58,341**	**$ (493,768)**

11. 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.

11. COMMITMENTS AND CONTINGENCIES (Continued)

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 $304,000). 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.

12. SUBSEQUENT EVENTS

On January 24, 2020, the Company entered into a loan agreement with a related party for $100,000. Interest accrues on the loan at a rate of 7% per annum. The loan principal, accrued interest, and an establishment fee is due and payable by the Company on March 31, 2020. The proceeds of the loan were used for general corporate purposes.