

## Emerita Resources Corp.

EMO-TSX.V: \$0.90 (mid-market)

Rating: Speculative Buy

Target: \$4.00

### Emerita Resource Corp. (EMO-TSX.V)

#### Stock Data

Previous Close (C\$)	\$0.90
52-Week High-Low	\$2.86 / \$0.56
Avg. Daily Volume (3M)	187,095
Basic SO (MM)	207
Fully Diluted SO (MM)	18.7 MM / 7.7 MM
Market Cap. (C\$ MM)	\$187
Cash (C\$ MM)	\$15
ITM Options & Warrants (C\$ MM)	\$2
Debt (C\$ MM)	\$0
Enterprise Value (C\$ MM)	\$172

#### Company Information

Projects	IBW (100%) / Aznalcollar (ongoing legal dispute)
Project Location	Iberian Pyrite Belt, Spain

#### Clarus Estimates

Implied return to target price	349%
Clarus Est. Resources (MM lbs ZnEq)	15,759
EV/lb Valuation (C\$/lb ZnEq)	\$0.01
Combined LOM Production (MM lbs ZnEq/year)	576
LOM Cash Costs (co-product), US\$/lb ZnEq	\$0.56
P/NAV	0.14x

#### Management

CEO	David Gower
President	Joaquin Merino-Marquez

#### Shareholders (source: Refinitiv Eikon)

Eric Sprott	11.2%
Merk Investments	1.4%
Management & Insiders	6.6%



#### Company

Emerita currently owns 100% of the IBW project on the Spanish side of the Iberian Pyrite Belt (IPB). The project has been drilled extensively (~25,000 m) by credible operators such as Phelps Dodge and Rio Tinto in 1970s and 1980s. This resulted in a 34.8 Mt historic resource with a high grade subset of 12 Mt at 12.9% ZnEq. Emerita will be focusing on validating and growing this high grade portion at IBW while also exploring for new targets on the property. The Company is also in the process of acquiring the past-producing Aznalcollar project that is also located in Spain and in the IPB. Aznalcollar public tender is currently the subject of an ongoing legal dispute in the Spanish courts. We believe a final resolution is in sight and court proceedings to date are pointing to the potential for a favourable outcome for EMO.

## Positive IBW Drill Results Indicate Sizeable & Robust Imminent Resource Update

April 4, 2023

EMO announced drill results from 15 additional holes at Romanera & 7 holes from Infanta.

### ROMANERA DRILLING:

#### Robust, shallow central zone could support quick payback:

- Drilling to date indicates a potentially robust high grade zone of shallow mineralization starting less than 100 m from surface.
- We est. a wtd. avg. grade in this zone of 16.3% ZnEq at +20 m avg. interval width, including 3.15 g/t Au & 98.5 g/t Ag or almost 3x historic avg Au grade and +54% vs historic Ag grade.
- Based on the drill tested dimensions, we think there could be 1.3 – 2.0 Mt at ~14% – 16% ZnEq in this shallow zone that could be accessible early in the mine life as the development ramps into the deposit.
- If this is the case, we believe it will support a short payback, and robust & compelling project economics.
- Latest drill intercept from this zone incl.
  - LR115 returning 32.6 m at 16% ZnEq (with 5.13 g/t AuEq in Au & Ag) from 138.9 m down hole, incl. 3.5 m at 21.7% ZnEq (with 8.4 g/t AuEq in Au & Ag)
  - LR067 returning 13 m at 8.6% ZnEq in Lower Lens & 2.2 m at 19.31% ZnEq Upper Lens
  - LR081 returning 28 m at 9.93% ZnEq in Lower Lens & 7.5 m at 4.38% ZnEq Upper Lens.

#### Step out drilling demonstrates continuity outside historic footprint:

- Drill hole #101 is one of the westernmost holes (~300 m outside historic footprint) and intercepted high grade mineralization over narrow width from 450 m below surface, returning 1.8 m at 15% ZnEq (with 2.03 g/t AuEq in Au & Ag). This was the only step out hole to the west that hit mineralization in today's update.
- Step-out on the east side incl. hole #76 returning 6.3 m at 11.8% ZnEq (incl. 2.6 g/t AuEq in Au & Ag); #93 returning 4.5 m at 17.2% ZnEq (incl. 4.4 g/t AuEq in Au & Ag) – both ~50 – 75 m step-outs to the east.
- One of the easternmost intercepts previously reported (#55) incl. 4.9 m at 11.3% ZnEq (with 2.3 g/t AuEq in Au & Ag) in a ~150 m step out.

#### Upcoming maiden resource could surprise to the upside:

- Overall, drilling is demonstrating strong continuity over a ~600 m strike length, a vertical extent of ~350 – 400 m and excellent mineable widths of ~15 m → supporting a robust resource potential of +15 Mt at ~10% ZnEq at Romanera with a wide, high grade zone comprising ~2 Mt at +14% ZnEq at shallow depths.

- We think the resource update expected in Q2/23 will demonstrate 18 – 20 Mt at +10% – 12% ZnEq combined across Romanera (14 – 16 Mt at ~10% ZnEq) & Infanta (3 – 4 Mt at +20% ZnEq).
- In our opinion, the drill results from Romanera are pointing to upside based on the higher than expected precious metal grades that should drive resource growth from within the historic resource footprint. We est. Au grades of +43% vs historic and Ag +10% vs historic.
- In addition, if the latest deep drilling results (incl. 28.3 m at 12.8% ZnEq) can be pulled into the database for the upcoming update, the resource could surprise to the upside with a potential vertical extent of ~500 m. This remains contingent on sufficient amount of drilling at depth for resource estimation.

## Infanta Drilling Confirming High Grade Potential

- Infanta deposit is located about 7.0 km east of La Romanera.
- It has 2 mineralized blocks, separated by a thrust fault (North and South Blocks), characterized by zinc, lead, silver, and copper bearing massive sulphide mineralization.
- Historic drilling defined a resource of 0.8 Mt at ~26% ZnEq at Infanta within just the South Block over a ~600 m strike length and down to ~120 m depth.
- EMO has drill tested the deposit down to 350 m depth and over 1.4 km strike with the best intercepts coming from central portion over a ~700 m strike.
- Significant highlights from today's update:
- INO67 South Block:
  - *6.5 m at 25.52% ZnEq from 108.2 m down hole*
  - *5.3 m at 40.95% ZnEq from 149.2 m down hole*

## Comparable to Major Development Projects

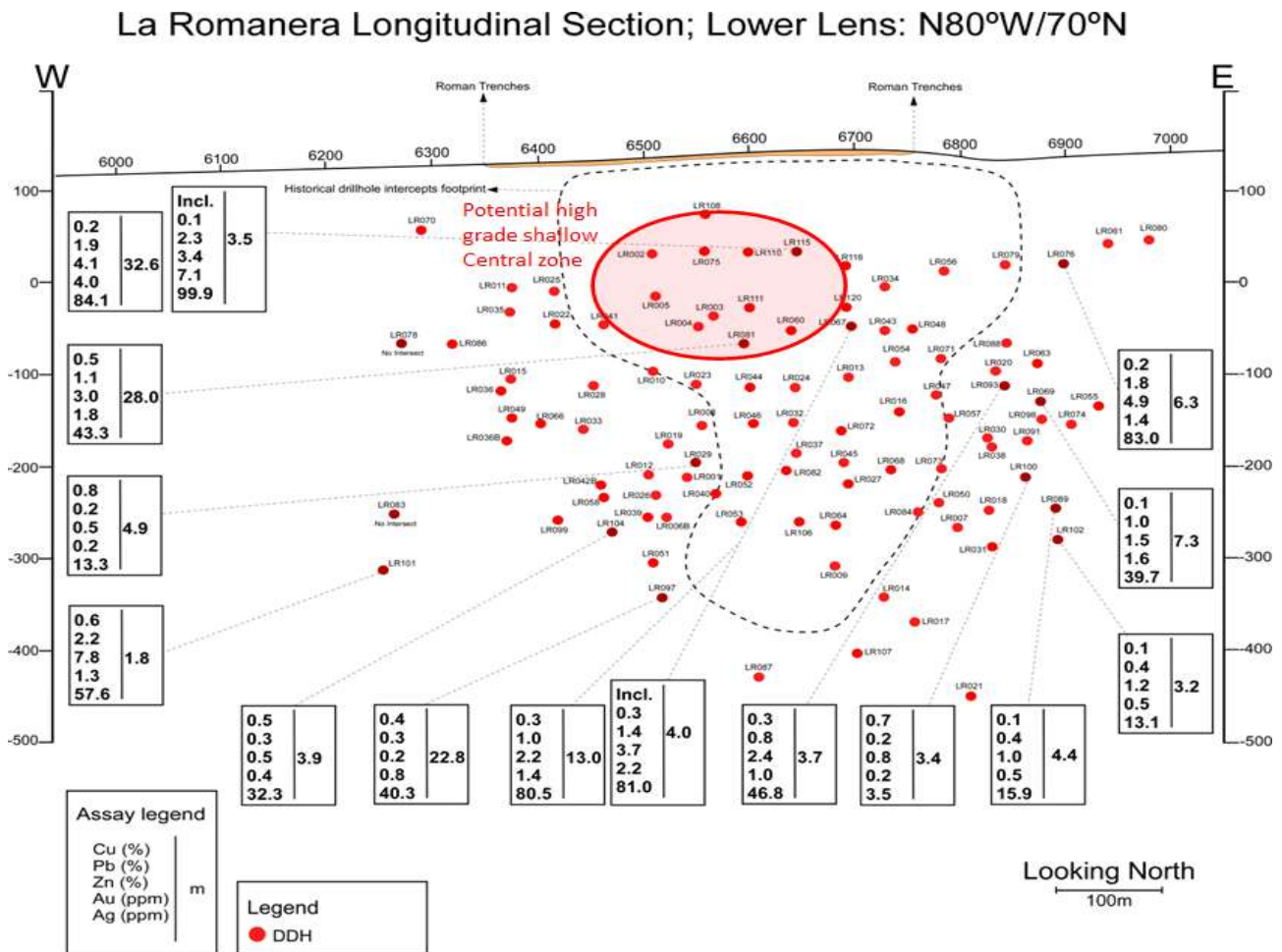
Our est. 18 – 20 Mt for IBW would compare well with Foran (~C\$845 MM mkt cap), Adriatic (~C\$940 MM mkt cap) and slightly smaller than our estimate, 24 Mt, for Arizona Metals' upcoming resource (~C\$500 MM mkt cap). Despite the comparable size, EMO currently trades at a mkt cap of ~C\$185 MM, which is a significant discount and indicates potential for material re-rate as EMO's valuation catches up to peers' once the IBW resource is announced in the next few weeks.

Figure 1: EMO Project Comps

EMO Project Comps		Adriatic Metals	Foran Mining		Arizona Metals	Emerita Resources (Historic IBW Resource)		Emerita Resources (Resource Update - Clarus Est.)
Company		ADT-ASX	FOM-TSX.V		AMC-TSX.V	EMO-TSX.V		EMO-TSX.V
Ticker		ADT-ASX	FOM-TSX.V		AMC-TSX.V	EMO-TSX.V		EMO-TSX.V
Deposit (s)		Rupice	Mclivena Main Zone	Mclivena ALL	Key Mine	IBW HG	IBW ALL	IBW Resource - Q2/23 Clarus Est.
<b>Tonnage</b>	<b>Mt (global)</b>	<b>12.0</b>	<b>12.4</b>	<b>44.1</b>	<b>24.0</b>	<b>12.0</b>	<b>34.8</b>	<b>20.0</b>
<b>Diluted ZnEq Grade</b>	<b>%</b>	<b>9.76%</b>	<b>8.97%</b>	<b>5.62%</b>	<b>8.97%</b>	<b>9.33%</b>	<b>5.29%</b>	<b>9.05%</b>
ZnEq	MM lbs	2,580	2,452	5,466	4,744	2,468	4,055	3,990
In-situ Value	C\$ MM	\$4,542	\$4,316	\$9,621	\$8,350	\$4,344	\$7,138	\$7,024
<b>Market Cap.</b>	<b>C\$ MM</b>	<b>\$941</b>	<b>\$845</b>		<b>\$499</b>	<b>\$185</b>		<b>\$185</b>
<b>M. Cap. : In-situ</b>	<b>%</b>	<b>21%</b>	<b>20%</b>	<b>9%</b>	<b>6%</b>	<b>4%</b>	<b>3%</b>	<b>3%</b>

Source: Company Reports; Clarus Securities Inc.

Figure 2: Romanera Drilling



Source: Company Reports; Clarus Securities Inc.

Figure 3: EMO Comps

Zn-Polymetallic Explorers / Developers											
Company	Ticker	Price Per Share (Local)	S/O (MM)	Mkt. Cap. (C\$MM)	EV (C\$MM)	Project Location	Grade ZnEq %	Zn % of ZnEq Resource	Attri. ZnEq MM lbs	EV/lb ZnEq (C\$/lb)	P/NAV
Adriatic Metals PLC	ADT-ASX	3.77	274	\$941	\$857	Bosnia	13.2%	31%	3,486	\$0.25	NA
Arizona Metals Corp (1)	AMC-TSX	4.39	115	\$505	\$453	Arizona, US	14.4%	21%	8,042	\$0.06	0.32x
Ascendant Resources Inc	ASND-TSX	0.21	130	\$27	\$41	Portugal	5.2%	30%	2,430	\$0.02	NA
Foran Mining Corp	FOM-TSX.V	3.70	230	\$849	\$795	Sask.	7.2%	37%	5,419	\$0.15	0.95x
Fireweed Metals Corp	FWZ-TSX.V	0.90	135	\$122	\$112	Yukon	9.4%	64%	10,450	\$0.011	0.60x
Group Eleven Resources Corp	ZNG-TSX.V	0.09	158	\$14	\$13	Ireland	9.7%	84%	1,531	\$0.01	NA
Kutcho Copper Corp	KC-TSX.V	0.33	126	\$42	\$41	BC	7.4%	29%	5,212	\$0.01	NA
Osisko Metals Inc	OM-TSX.V	0.33	202	\$66	\$63	NWT	6.4%	75%	7,153	\$0.01	0.24x
Pan Global Resources	PGZ-TSX.V	0.35	212	\$73	\$62	Spain	NA	NA	NA	NA	NA
Solitario Zinc Corp	SLR-TSX	0.89	65	\$58	\$51	Peru	11.1%	88%	1,273	\$0.04	NA
Tinka Resources Ltd	TK-TSX.V	0.13	391	\$51	\$44	Peru	6.4%	92%	8,015	\$0.01	NA
Wolfden Resources Corp	WLF-TSX.V	0.20	165	\$32	\$30	Maine, US	19.8%	48%	1,956	\$0.02	0.43x
ZincX Resources Corp	ZNX-TSX.V	0.12	178	\$21	\$21	BC	9.6%	83%	6,400	\$0.003	NA
Group Average				\$215	\$199		9.4%	57%	5,114	\$0.05	0.51x
<b>* Select Peer Group Average</b>				<b>\$369</b>	<b>\$340</b>		<b>9.7%</b>	<b>55%</b>	<b>6,163</b>	<b>\$0.08</b>	<b>0.53x</b>
Emerita Resources Corp. (Historic Resource; <b>IBW only</b> )	EMO-TSX.V	0.90	207	\$187	\$172	Spain	12.7%	50%	3,415	\$0.05	0.35x
<b>Emerita Resources Corp. (IBW Only)</b>	<b>EMO-TSX.V</b>	<b>0.90</b>	<b>207</b>	<b>\$187</b>	<b>\$172</b>	<b>Spain</b>	<b>13.9%</b>	<b>46%</b>	<b>6,293</b>	<b>\$0.03</b>	<b>0.20x</b>

\* Select Peer Group is based on comparable Zn contribution to global resource, favourable location for development and favourable permitting environment

(1) We cover AMC-TSX.V with a SPECULATIVE BUY rating and a target price of \$10.00 per share

Source: Refinitiv Eikon, Clarus Securities Inc.

**Price Target Calculator:** Our 12-month target price is based on a 0.5x combined NPV5% of IBW and 50% of Aznalcollar. We also account for in-situ valuation for ~17 Mt at ~16% ZnEq valued at C\$0.07/lb ZnEq at IBW & Aznalcollar (50%) to account for the estimated resource that is not included in our mine model. In addition, we account for corporate adjustments, including our long-term debt assumption and ITM options and warrants.

**Key Risks to Target Price:** Please refer to the risks disclosed in the initiating report dated July 23, 2021.

## Emerita Resources Corporation (EMO-TSX.V), SPECULATIVE BUY, Target: C\$4.00

Rating	SPECULATIVE BUY	Target Price	\$4.00	Basic Shares O/S	207.3
12-Month Return	344%	Previous Close	\$0.90	Market Cap., C\$ MM	\$187
				EV, C\$ MM	\$172

CAD MM except per share data, unless otherwise noted

CAPITAL STRUCTURE	Strike Price \$/share	Shares (MM)
<b>Basic Shares Outstanding</b>		<b>207</b>
ITM Warrants Outstanding	\$0.18	5
ITM Options Outstanding	\$0.15	8
Assumed Equity Funding		88
<b>FD Shares</b>		<b>307</b>

### NET ASSET VALUE (C\$)

	Discount rate	C\$ MM	Onwship Risk	C\$ MM	C\$/share
<b>Asset NAV</b>					
Aznalcollar (100.0%), Spain	5.0%	\$1,051	50.0%	\$526	\$1.71
IBW (100.0%), Spain	5.0%	\$758	0.0%	\$758	\$2.47
<b>Asset NAV Sub-Total</b>				<b>\$1,284</b>	<b>\$4.18</b>
Multiple to Development Assets			0.50x	\$642	\$2.09
<b>In-Situ Valuation (Inventory not incl. in mine model)</b>					
		<b>ZnEq</b>			
Aznalcollar		3,645MM lbs @ C\$0.07 /lb	50.0%	\$128	\$0.42
IBW		2,336MM lbs @ C\$0.07 /lb	0.0%	\$163	\$0.53
<b>In-situ Valuation Sub-total</b>				<b>\$291</b>	<b>\$0.95</b>

### Corporate Adjustments

Cash	\$15	\$0.05
Value of ITM Instruments	\$2	\$0.01
Long-term Debt	-\$525	-\$1.71
Estimated Equity Capital Additions	\$875	\$2.85
<b>Corporate Adjustments Sub-total</b>	<b>\$367</b>	<b>\$1.19</b>
<b>Total Corporate NAV</b>	<b>C\$/share</b>	<b>\$1,300</b>

<b>Target Price</b>	<b>C\$/share</b>	<b>\$4.00</b>
P/NAV		0.14x

### PRODUCTION ESTIMATES, MM lbs ZnEq

Fiscal Year	2025E	2026E	2027E	2028E	2029E
Aznalcollar MM lbs	-	-	-	313	313
IBW MM lbs	-	-	-	-	263
<b>Zinc Equivalent Production MM lbs ZnEq</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>313</b>	<b>576</b>

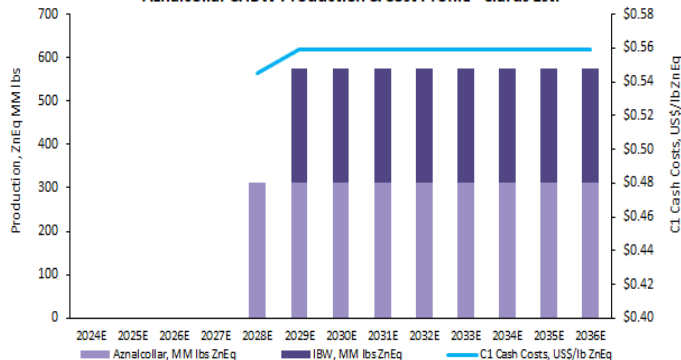
### COST ESTIMATES (US\$/oz)

Fiscal Year	2025E	2026E	2027E	2028E	2029E
Total Cash Costs (C1), net of by-prod. US\$/lb Zn	-	\$0.00	\$0.00	(\$0.09)	(\$0.13)
<b>Total Cash Costs (C1), co-prod. US\$/lb ZnEq</b>	<b>-</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.54</b>	<b>\$0.56</b>
Sustaining Capex US\$/lb Zn	-	\$0.00	\$0.00	\$0.12	\$0.12
AISC (net of by-products) US\$/lb Zn	-	\$0.00	\$0.00	\$0.03	(\$0.01)
<b>AISC (co-product) US\$/lb ZnEq</b>	<b>-</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.61</b>	<b>\$0.62</b>

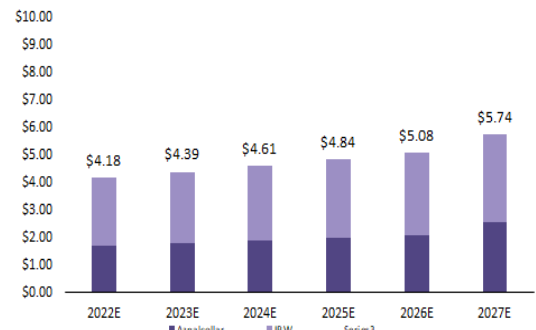
### FINANCIAL SUMMARY

Fiscal Year	2025E	2026E	2027E	2028E	2029E
Copper Price (US\$/lb)	\$3.75	\$3.75	\$3.75	\$3.75	\$3.75
Zinc Price (US\$/lb)	\$1.30	\$1.30	\$1.30	\$1.30	\$1.30
Gold Price (US\$/oz)	\$1,725	\$1,725	\$1,725	\$1,725	\$1,725
Silver Price (US\$/oz)	\$23	\$23	\$23	\$23	\$23
EPS	\$0.00	(\$0.15)	(\$0.17)	\$0.30	\$0.69
P/EPS	nm	nm	nm	3.0x	1.3x
Target/EPs	nm	nm	nm	10.1x	4.4x
CFPS	\$0.00	(\$0.23)	(\$0.26)	\$0.63	\$1.34
P/CFPS	nm	nm	nm	1.4x	0.7x
Target/CFPS	nm	nm	nm	6.3x	3.0x
<b>Income Statement</b>					<b>MM</b>
Revenue	\$0	\$0	\$0	\$473	\$868
Operating Expenses	\$0	\$0	\$0	(\$198)	(\$373)
Depreciation	\$0	\$0	\$0	(\$50)	(\$97)
General & Adm.	\$0	\$0	\$0	\$0	(\$1)
Other	\$0	\$0	\$0	\$0	\$0
Exploration Exp.	\$0	\$0	\$0	\$0	(\$0)
Net Interest Expense	\$0	(\$68)	(\$77)	(\$88)	(\$84)
Taxes Expense	\$0	\$24	\$27	(\$48)	(\$109)
Other	\$0	\$0	\$0	\$0	\$0
<b>Net Income</b>	<b>\$0</b>	<b>(\$44)</b>	<b>(\$50)</b>	<b>\$89</b>	<b>\$203</b>
<b>Cash Flow Statement</b>					<b>MM</b>
Operating CF	\$0	(\$68)	(\$77)	\$187	\$395
Repayments	\$0	\$0	\$0	\$0	(\$249)
Share Issuance	\$0	\$350	\$0	\$0	\$0
Financing CF	\$0	\$875	\$0	\$10	(\$249)
Investing CF	\$0	(\$250)	(\$438)	(\$211)	(\$42)
Change in Cash	\$0	\$557	(\$515)	(\$14)	\$104
Free Cash Flow (bef div and fin.)	\$0	(\$318)	(\$515)	(\$24)	\$353
Free Cash Flow Yield	0%	-186%	-300%	-14%	206%
<b>Balance Sheet</b>					<b>MM</b>
Cash & Equivalents	\$12	\$569	\$54	\$40	\$144
Current Assets	\$12	\$569	\$54	\$40	\$144
Current Debt	\$0	\$0	\$0	\$70	\$239
Current Liabilities	\$0	\$0	\$0	\$249	\$239
Long-term Debt	\$583	\$647	\$718	\$727	\$585
Shareholder Equity	\$39	\$300	\$199	\$377	\$783
<b>MODELLED MINEABLE INVENTORY</b>					<b>Mine</b>
Zinc Equivalent	Mt	% ZnEq	MM lbs	Life (yr)	
Aznalcollar (100.0%), Spain	23	11.4%	5,821	13.0	
IBW (100.0%), Spain	14	12.5%	3,957	12.0	
EMO Companywide	38	11.8%	9,778		

Aznalcollar & IBW Production & Cost Profile - Clarus Est.



EMO Combined Asset NPV5% (C\$/share)



Source: Clarus Securities Inc.

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## Clarus Securities Equity Research Disclosures

The analyst has visited the Company's operations in Spain in November 2021. Partial payment or reimbursement was received from the issuer for the associated travel costs.

Within the last 24 months, Clarus Securities Inc. has managed or co-managed a public offering of securities of this company.

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**Buy:** Attractively valued and expected to appreciate significantly from the current price over the next 12-18 months.

**Speculative Buy:** Expected to appreciate significantly from the current price over the next 12-18 months. Financial and/or operational risk is high in the analyst's view.

**Accumulate:** Attractively valued, but given the current market price, is expected to appreciate moderately over the next 12-18 months.

**Hold:** Fairly valued and expected to trade in line with the current price over the next 12-18 months.

**Sell:** Overvalued and expected to decline from the current price over the next 12-18 months.

**Under review:** Pending additional review and/or information. No rating presently assigned.

**Tender:** Company subject to an acquisition bid: accept offer.

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