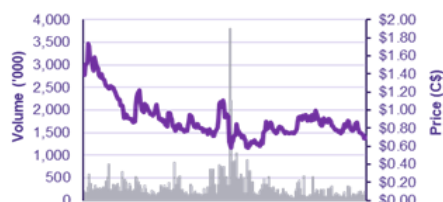


Emerita Resources Corp.

EMO-TSX.V: \$0.53
Rating: Speculative Buy
Target: \$3.75 (was \$4.00)

Emerita Resource Corp. (EMO-TSX.V)	
Stock Data	
Previous Close (C\$)	\$0.53
52-Week High-Low	\$1.77 / \$0.50
Avg. Daily Volume (3M)	127,370
Basic SO (MM)	207
Fully Diluted SO (MM)	18.7 MM / 7.7 MM
Market Cap. (C\$ MM)	\$110
Cash (C\$ MM)	\$7
ITM Options & Warrants (C\$ MM)	\$2
Debt (C\$ MM)	\$0
Enterprise Value (C\$ MM)	\$103
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)	
Merk Investments	1.3%
Management & Insiders	6.6%



Company

Emerita currently owns 100% of the IBW project on the Spanish side of the Iberian Pyrite Belt. The project was 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 has drilled +72,300 m since May 2021 and announced a maiden compliant resource in May 2023 of 18.8 Mt at 8% ZnEq (adj. for recoveries) at IBW, essentially growing the tonnes by +55% vs historic. 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 the court proceedings to date are pointing to the potential for a favourable outcome for EMO with final hearings set for early 2025.

IBW Maiden Resource Puts It In The League Of High Quality Projects Advancing Towards Production

May 24, 2023

EMO announced maiden resource at its 100% owned IBW project. The global resource (M&I + inferred) was based on only Romanera and Infanta deposits and came in at **18.8 Mt at ~8% ZnEq** (adj. for metallurgical recoveries), representing a +56% increase on tonnage from the historic resource. With ~75% of the resource in the M&I category, we believe this is a robust resource which could allow the team to advance straight to a PFS by Q1/2024 (skipping PEA) once the metallurgical studies are completed (expected early Q4/23) and contingent upon sufficient infill drilling.

Our valuation model was based on a resource of ~20 Mt at ~10% ZnEq (adj. for metallurgical recoveries) for IBW. We note that the in-situ metal grades (without accounting for recoveries) at Romanera were largely in line with our estimates, however, the overall IBW grade missed our estimate primarily due to significantly lower gold recoveries (20% Au recovery) assumed for ZnEq grade calculation and our aggressive grade assumption for the Infanta deposit. **We estimate that even a 20% Au recovery assumption drives NPV5% of C\$505 MM (+1.3x NPV:Capex). Under our assumption of 65% Au recovery, the NPV5% increases by ~45% (1.9x NPV:Capex).**

We believe the gold recovery assumption is conservative and represents an important resource growth opportunity at Romanera with potential for improving the overall resource grade towards +9% ZnEq (incremental margin of +US\$30/t; based on 50% - 60% gold recovery) while also adding more tonnes that were excluded in the current resource due to the conservative recovery assumption (potentially +30% tonnage). We further note that both Romanera and Infanta remain open for continued expansion in addition to the resource optionality from El Cura where drilling has just started.

Overall, despite the lower grade we believe the maiden resource confirms our view that IBW will be a mine with our est. ~C\$730 MM NPV. The current resource, even with the conservative gold recovery assumption, is comparable in size and grade to current advanced stage polymetallic projects that are trading at +7.0x EMO's C\$110 MM market cap. In addition, gold recovery optimization and continued resource growth potential provides significant further upside opportunity.

We have revised our valuation model to align our assumptions with the IBW resource which results in our revised target price of **\$3.75** per share (prior \$4.00/share). We maintain our **SPECULATIVE BUY** rating.

Figure 1: IBW Maiden Resource vs Clarus Estimate

	IBW Resource			Clarus Estimate		
	Mt	In-situ ZnEq%	Adj. ZnEq%	Mt	In-situ ZnEq%	Adj. ZnEq%
Romanera	16.1	10.6%	7.5%	17.6	11.1%	8.8%
Infanta	2.6	13.5%	11.5%	2.4	21.6%	18.6%
IBW	18.8	11.0%	8.1%	20.0	12.4%	10.0%

Note: Adj. ZnEq grade accounts for metallurgical recoveries for Pb, Cu, Ag & Au

Source: Company Reports; Clarus Securities Inc.

We note that the in-situ metal grades (w/o accounting for recoveries) at Romanera were largely in line with our estimates, as demonstrated in Figure 2, with only ~0.5% ZnEq difference between in-situ resource grade (10.6% ZnEq) vs Clarus estimate (11.1% ZnEq). However, the IBW Adj. ZnEq grade missed our estimate (8.1% vs 10% ZnEq est.) primarily due to significantly lower gold recoveries (20% Au recovery) assumed for ZnEq grade calculation and our aggressive grade assumption for the Infanta deposit.

Romanera is unique in regard to its high grade gold endowment vs other VMS deposits on the Iberian Pyrite Belt (IPB). As a result, flow sheets for projects on the IPB are not optimized for gold, generally driving lower gold recoveries of ~20%. Given the significant in-situ gold resource of +730k oz at +1.4 g/t in the current resource, which excludes some of the high grade gold (with low base metals) blocks due to lower recovery assumptions, we believe Romanera flow sheet will be optimized for improved gold recoveries. We believe this represents an important growth opportunity at Romanera with potential for improving the overall resource grade towards +9% ZnEq (incremental margin of +US\$30/t; based on 50% - 60% gold recovery) while also adding more tonnes that were excluded in the current resource due to the conservative recovery assumption (potentially +30% tonnage). The upside on gold recoveries could be confirmed by the ongoing metallurgical testing with results expected in early Q4/23.

Figure 2: Romanera In-situ Grade & Adj. Grade vs Clarus Estimates

Romanera Grade Comparison with Clarus Est.						
	Grade Assumptions			Met. Recovery Assumptions		
	Resource	Clarus	Variance	Resource	Clarus	Variance
Zn%	3.34%	3.50%	-4%			
Pb%	1.55%	1.50%	3%	80%	75%	7%
Cu%	0.42%	0.40%	6%	80%	85%	-6%
Ag g/t	73.57	75.00	-2%	80%	65%	23%
Au g/t	1.41	1.65	-14%	20%	65%	-69%
In-situ ZnEq %	10.6%	11.1%	-5%			
Adj. ZnEq %	7.5%	8.8%	-15%			

Source: Company Reports; Clarus Securities Inc.

We have revised our valuation model to align our assumptions with the IBW resource which results in our revised target price of \$3.75 per share (prior \$4.00/share). Our revised model is based on a mineable inventory of 14.4 Mt at ~12.7% ZnEq (in-situ grade basis) or ~9.3% ZnEq (adj. for met. recoveries), largely in line with our prior assumption. This results in a NPV5% for IBW of C\$729 MM (1.9x NPV:Capex), largely in line with our prior estimate of C\$758 MM. However, our in-situ valuation for IBW declines by 76%, impacted by the lower grades (Figure 4).

Figure 3: IBW Global Resource Sensitivity to Cut-off Grade

Sensitivity to cut-off grade			
ZnEq			
%	Mt	ZnEq %	In-situ ZnEq % *
2.0	20.3	7.65	10.4
2.5	19.8	7.77	10.6
3.0	18.8	8.05	11.0
3.5	17.8	8.32	11.3
4.0	16.4	8.70	11.9
4.5	14.9	9.14	12.5
5.0	13.8	9.49	13.0
5.5	12.6	9.92	13.5
6.0	11.5	10.29	14.0

* Clarus estimate

Source: Company Reports; Clarus Securities Inc.

Our revised modelled mineable inventory and grades (Figure 4) are in line with the IBW resource at 4.5% to 5% ZnEq cut-off grade (Figure 3). The balance of our assumptions remain unchanged, including our gold recovery assumption of 65% (Figure 8). We note that the highly conservative 20% Au recovery assumption still drives NPV5% of C\$505 MM (1.35x NPV:Capex).

Figure 4: Romanera In-situ Grade & Adj. Grade vs Clarus Estimates

IBW Mine Model - Clarus Estimates NEW vs PRIOR					
		PRIOR	NEW	Variance	
Mineable Inventory	Mt	14.4	14.4	0%	
Zn Grade	%	5.7%	4.2%	-26%	
Pb Grade	%	2.7%	2.1%	-23%	
Cu Grade	%	0.5%	0.6%	12%	
Ag Grade	g/t	66.4	86.2	30%	
Au Grade	g/t	0.80	1.47	84%	
Mine Model NPV5%	C\$ MM	\$758	\$729	-4%	
IBW in-situ valuation					
In-situ (outside mine model)	Mt	6.2	4.4	-29%	
In-situ Valuation	C\$ MM	\$147	\$36	-76%	
IBW Net Valuation	C\$ MM	\$905	\$765	-15%	

Source: Clarus Securities Inc.

The current resource, even with the conservative gold recovery assumption, is comparable in size and grade to current advanced stage polymetallic projects (Figure 5) that are trading at +7x EMO's C\$110 MM market cap. *In fact, at the higher cut-off grade (COG) of 4.5% - 5% ZnEq and using conservative 20% Au recovery, still results in a larger tonnage (14.4 Mt) and better or comparable grade (~9.3% ZnEq) than that of the Rupice (ADT-ASX; NR) and McIlvenna Main (FOM-TSX.V; NR) deposits.*

Figure 5: EMO Project Comps

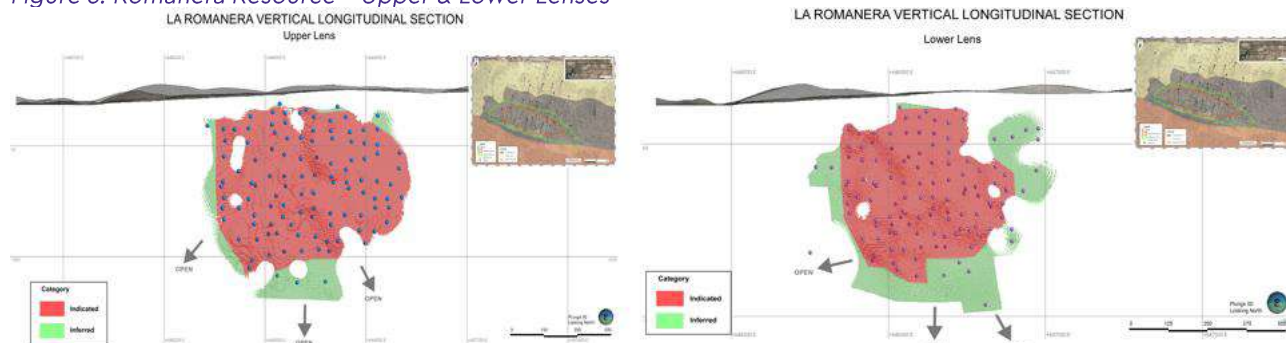
Company		Adriatic Metals	Foran Mining		Emerita Resources (Updated IBW Resource)	Emerita Resources (Updated IBW Resource)	Emerita Resources (Updated IBW Resource)
Ticker		ADT-ASX	FOM-TSX.V		EMO-TSX.V	EMO-TSX.V	EMO-TSX.V
Deposit (s)		Rupice	Mclivenna Main Zone	Mclivenna ALL	IBW Resource 3% COG (20% Au recovery)	IBW Resource 4.5% - 5% COG (20% Au recovery)	IBW Resource 3% COG (50% Au recovery) *
Tonnage	Mt (global)	12.0	12.4	44.1	18.8	14.4	18.8
ZnEq Grade	%	9.76%	8.97%	5.62%	8.05%	9.32%	9.00%
ZnEq	MM lbs	2,580	2,452	5,466	3,331	2,950	3,723
In-situ Value	C\$ MM	\$4,567	\$4,340	\$9,673	\$5,895	\$5,221	\$6,589
Market Cap.	C\$ MM	\$792	\$739		\$110	\$110	\$110
M. Cap. : In-situ	%	17%	17%	8%	2%	2%	2%

* conceptual approximation of ZnEq grade by Clarus without accounting for increased resource tonnage at higher Au recovery

Source: Company Reports; Clarus Securities Inc.

We further note that both Romanera and Infanta remain open for continued expansion. Typically, VMS deposits in the IPB have a depth : strike ratio of 3 : 1. Romanera resource is currently defined over a strike length of ~700 m and to a depth of only 500 m, indicating potential for significant exploration opportunity at depth, particularly towards the west. In fact, some of the deepest drill results from Romanera, incl. **32 m at ~19% ZnEq (with 3.5 g/t AuEq of Au & Ag) from 637.6 m down hole** (LR107). LR146 (assays pending) is the deepest drillhole in the lower central portion of Romanera and has returned a wide intercept of 34.9 m in the massive sulphides (visual inspection). This indicates that the resource remains strongly mineralized and open for expansion at depth. We further note that Neves Corvo, also on the IPB, has been extended to ~1.4 km below surface.

Figure 6: Romanera Resource – Upper & Lower Lenses



Source: Company Reports

Currently, there are 6 rigs turning, including at Romanera & Infanta doing expansion and infill drilling. We see additional resource optionality from El Cura where drilling has just started. El Cura deposit has a historic estimate of 1 Mt at +4% CuEq (non-compliant resource) in academic publications. Beyond IBW, Nuevo Tintillo, located ~10 km NW from Aznalcollar, offers further optionality with drilling expected to commence in H2/23.

Figure 7: 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	3.16	278	\$788	\$771	Bosnia	13.2%	31%	3,486	\$0.22	0.70x
Arizona Metals Corp (1)	AMC-TSX	3.87	115	\$445	\$397	Arizona, US	14.4%	21%	8,042	\$0.05	0.28x
Ascendant Resources Inc	ASND-TSX	0.20	131	\$26	\$44	Portugal	5.2%	30%	2,430	\$0.02	0.44x
Foran Mining Corp	FOM-TSX.V	3.13	236	\$739	\$615	Sask.	7.2%	37%	5,419	\$0.11	0.76x
Fireweed Metals Corp	FWZ-TSX.V	0.87	135	\$118	\$78	Yukon	9.4%	64%	10,450	\$0.007	0.58x
Group Eleven Resources Corp	ZNG-TSX.V	0.08	158	\$12	\$11	Ireland	9.7%	84%	1,531	\$0.01	NA
Kutcho Copper Corp	KC-TSX.V	0.18	134	\$24	\$24	BC	7.4%	29%	5,212	\$0.00	NA
Osisko Metals Inc	OM-TSX.V	0.27	246	\$66	\$64	NWT	6.4%	75%	7,153	\$0.01	NA
Pan Global Resources	PGZ-TSX.V	0.36	212	\$75	\$64	Spain	NA	NA	NA	NA	NA
Solitario Zinc Corp	SLR-TSX	0.83	65	\$54	\$47	Peru	11.1%	88%	1,273	\$0.04	NA
Tinka Resources Ltd	TK-TSX.V	0.12	391	\$47	\$40	Peru	6.4%	92%	8,015	\$0.01	NA
Wolfden Resources Corp	WLF-TSX.V	0.16	165	\$26	\$22	Maine, US	19.8%	48%	1,956	\$0.01	NA
ZincX Resources Corp	ZNX-TSX.V	0.10	178	\$17	\$16	BC	9.6%	83%	6,400	\$0.003	NA
Group Average				\$187	\$169		9.4%	57%	5,114	\$0.04	0.55x
* Select Peer Group Average				\$322	\$291		9.7%	55%	6,163	\$0.07	0.55x
Emerita Resources Corp. (IBW Only)	EMO-TSX.V	0.53	207	\$110	\$103	Spain	13.9%	46%	3,331	\$0.03	0.21x

* 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.

Figure 8: IBW Mine Model – Clarus Estimates

Emerita Resources - IBW Project Clarus Modeling Assumptions					
ZnEq Ounces Modeled	MM lb ZnEq	3,953			
ZnEq Grade	%	12.5%			
Life of Mine	Years	11.75			
Long-term Zinc Price	US\$/lb	\$1.30			
LOM Production			LOM Operating Costs		
Throughput	Mtpa / tpd	1.2 / 3,500		Mining Unit Costs	C\$/t mined \$55
Zn - Head Grade	%	4.22%		Processing Unit Costs	C\$/t milled \$32
Pb - Head Grade	%	2.06%		G&A Unit Costs	C\$/t milled \$18
Cu - Head Grade	%	0.56%		Concentrate related costs	C\$/t milled \$31
Au - Head Grade	g/t Au	1.47		Total Operating Unit Costs	C\$/t milled \$136
Ag - Head Grade	g/t Ag	86.23			
Recoveries, Zn	%	85.0%		Cash Costs (C1), co-product	US\$/lb ZnEq payable \$0.57
Recoveries, Pb	%	75.0%		AISC (co-product basis)	US\$/lb ZnEq payable \$0.63
Recoveries, Cu	%	85.0%		Cash Costs (C1), net of by-products	US\$/lb Zn payable -\$0.68
Recoveries, Au	%	65.0%		AISC (net of by-products)	US\$/lb Zn payable -\$0.67
Recoveries, Ag	%	65.0%			
ZnEq Avg. Annual Production	MM lbs/year ZnEq	255			
LOM Payable ZnEq	MM lb ZnEq	2,606			
Net Asset Value			LOM Capex		
NAV (5%)	C\$ MM	\$729		Initial Capex	C\$ MM \$375
NAVPS (5%)	C\$/share	\$2.37		LOM Total Sustaining Capex	C\$ MM \$215

Source: 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 ~15 Mt at ~12% 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\$3.75

Rating	SPECULATIVE BUY	Target Price	\$3.75	Basic Shares O/S	207.3
12-Month Return	608%	Previous Close	\$0.53	Market Cap., C\$ MM	\$110
				EV, C\$ MM	\$103

CAD MM except per share data, unless otherwise noted

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

NET ASSET VALUE (C\$)

	Discount rate	C\$ MM	Onwership Risk	C\$ MM	C\$/share
Asset NAV					
Aznalcollar (100.0%), Spain	5.0%	\$1,051	50.0%	\$526	\$1.71
IBW (100.0%), Spain	5.0%	\$729	0.0%	\$729	\$2.37
Asset NAV Sub-Total				\$1,255	\$4.09
Multiple to Development Assets			0.50x	\$628	\$2.04

In-Situ Valuation (Inventory not incl. in mine model)

	ZnEq	Onwership Risk	C\$ MM	C\$/share
Aznalcollar	3,645MM lbs @ C\$0.07 /lb	50.0%	\$128	\$0.42
IBW	511MM lbs @ C\$0.07 /lb	0.0%	\$36	\$0.12
In-situ Valuation Sub-total			\$163	\$0.53

Corporate Adjustments

Cash	\$7	\$0.02
Value of ITM Instruments	\$2	\$0.01
Long-term Debt	-\$525	-\$1.71
Estimated Equity Capital Additions	\$875	\$2.85
Corporate Adjustments Sub-total	\$359	\$1.17
Total Corporate NAV	C\$/share	\$1,150

Target Price	C\$/share	\$3.75
P/NAV		0.09x

PRODUCTION ESTIMATES, MM lbs ZnEq

Fiscal Year	2025E	2026E	2027E	2028E	2029E
Aznalcollar	MM lbs	-	-	313	313
IBW	MM lbs	-	-	-	255
Zinc Equivalent Production	MM lbs ZnEq	-	-	313	567

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)	(\$0.29)
Total Cash Costs (C1), co-prod. US\$/lb ZnEq	-	\$0.00	\$0.00	\$0.54	\$0.56
Sustaining Capex US\$/lb Zn	-	\$0.00	\$0.00	\$0.12	\$0.14
AISC (net of by-products) US\$/lb Zn	-	\$0.00	\$0.00	\$0.03	(\$0.16)
AISC (co-product) US\$/lb ZnEq	-	\$0.00	\$0.00	\$0.61	\$0.62

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	\$0.68
P/EPS	nm	nm	nm	1.8x	0.8x
Target/EPS	nm	nm	nm	9.4x	4.2x

CFPS	\$0.00	(\$0.23)	(\$0.26)	\$0.63	\$1.32
P/CFPS	nm	nm	nm	0.8x	0.4x
Target/CFPS	nm	nm	nm	5.9x	2.8x

Income Statement

	2025E	2026E	2027E	2028E	2029E
Revenue	\$0	\$0	\$0	\$473	\$854
Operating Expenses	\$0	\$0	\$0	(\$198)	(\$365)
Depreciation	\$0	\$0	\$0	(\$50)	(\$95)
General & Adm.	\$0	\$0	\$0	\$0	(\$2)
Other	\$0	\$0	\$0	\$0	\$0
Exploration Exp.	\$0	\$0	\$0	\$0	(\$1)
Net Interest Expense	\$0	(\$68)	(\$77)	(\$88)	(\$84)

Cash Flow Statement

	2025E	2026E	2027E	2028E	2029E
Operating CF	\$0	(\$68)	(\$77)	\$187	\$389
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)	\$98
Free Cash Flow (bef div and fin.)	\$0	(\$318)	(\$515)	(\$24)	\$347
Free Cash Flow Yield	0%	-309%	-500%	-24%	337%

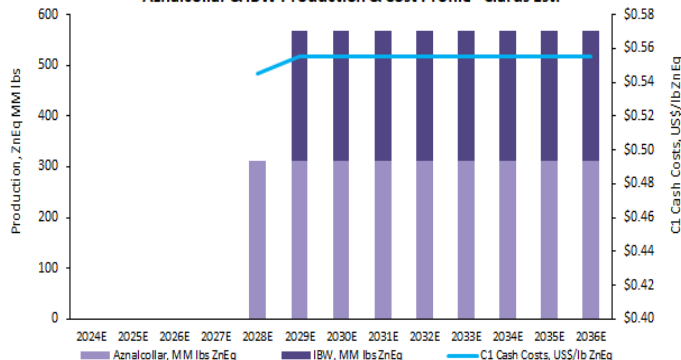
Balance Sheet

	2025E	2026E	2027E	2028E	2029E
Cash & Equivalents	\$12	\$569	\$54	\$40	\$138
Current Assets	\$12	\$569	\$54	\$40	\$138
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	\$776

MODELLED MINEABLE INVENTORY

Zinc Equivalent	Mt	% ZnEq	MM lbs	Mine Life (yr)
Aznalcollar (100.0%), Spain	23	11.4%	5,821	13.0
IBW (100.0%), Spain	14	12.5%	3,953	12.0
EMO Companywide	38	11.8%	9,773	

Aznalcollar & IBW Production & Cost Profile - Clarus Est.



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



Source: Clarus Securities Inc.

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.

Within the last 24 months, Clarus Securities Inc. has received compensation for investment banking services with respect to the securities of this company.

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