

Emerita Resources Corp.

A Slightly Disappointing Set of Results, but the Upside Looks Good

ACTION: Reiterating SPECULATIVE BUY and Target of \$5.10/sh

On January 28, 2022, Emerita Resources Corporation's (EMO) reported assay results from 11 drill holes from the Infanta project which is part of the Iberia Belt West (IBW) project. Overall, the results were not as we had expected as the average widths and grades were below the results from Infanta published by EMO since August 2021. EMO also announced the results of geophysical surveys covering Infanta, Cura and Romanera which have identified a number of promising targets. **We are maintaining our SPECULATIVE BUY rating.**

DETAILS: Infanta Drilling Somewhat Disappointing, but not a Major Issue

EMO drilled 11 holes at Infanta. Four of the holes (19, 20, 22, and 26) were drilled in relatively close proximity to previous holes; five holes tested the northern portion of the deposit (24, 27, 28, 29, 31); and holes 25 and 30 stepped out to the east and west, respectively (see Figure 1). Many of the drill holes cut both the north and south faulted blocks of the deposit (see Figure 3&4) which is in line with previous drill results.

We were somewhat surprised that the holes drilled close to previous holes were, for the most part, quite different to previous holes. The four holes (19, 20, 22 & 26) had an average width of 2.5m compared to the holes that are in close proximity (6, 8, 9, 12, 18, 21, 23) which had an average width of 6.5m (see Figure 2). Additionally, the grades of the four holes as measured in zinc equivalents (not accounting for recoveries and/or payabilities using our long-term metal price forecasts) was significantly lower at 6.3% ZnEq compared to 23.4% ZnEq. The reason for this difference is not clear, but highlights that the geology may be more complex than we had anticipated.

To the north of the previous drilling, many of the holes cut mineralization within the fault(s) that offset the south and north blocks. Within the faults, the grades are often lower as the faulting seems to have diluted the sulphides with the host rock. As a result, these holes had an average intercept width of 3.6m grading 8.6% ZnEq. We expect that as drilling progresses to the north and the drill holes cross the mineralization below the fault that the grades should improve.

The last two holes were step-outs to the east and west. Hole 30 was drilled ~350m to the west of the nearest hole (22). The results of hole 30 were disappointing, but highlight the risk of taking large step-outs. Going forward, we expect EMO will be more conservative with its step-out drilling. Hole 25 was drilled to the east and returned 5.8m grading 4.8% ZnEq.

As noted, EMO published the results of its geophysical surveys covering Infanta, El Cura and Romanera (see Figure 5). Six areas with significant TEM anomalies have been identified (two of which are known to be mineralized: Infanta and Romanera). These results imply that there may be a number of other deposits yet to be discovered.

At Romanera, EMO has received its drill permits (subject to public comment) and has 80 drill pads identified for the upcoming drill program. The historic resource prepared by Rio Tinto of 34Mt @ 0.42% copper, 2.3% zinc, 1.1% lead, 44 g/t silver and 0.8 g/t gold will be tested and, hopefully expanded.

IMPACT: A Small Hiccup but the Upside Still Looks Very Promising

While the results from Infanta were not as robust as previous ones, we believe this is normal for an exploration program and we believe the Infanta project has yet much to offer shareholders. The drilling at Romanera and Cura may also add significant value as Infanta has. We are maintaining our **target price of \$5.10/sh and maintain our SPECULATIVE BUY recommendation.**

ANALYST INFORMATION

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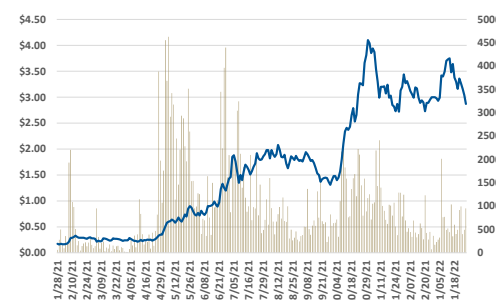
aschatzker@researchcapital.com

EMO - TSXV	\$2.87
TARGET:	\$5.10
PROJ. RETURN	78%
VALUATION	EV/lb & DCF

Share Data

Basic Shares O/S (M)	187.9
Fully Diluted (M)	239.1
Avg. Volume (K)	895
Basic Market Cap (\$M)	539
Net Cash (\$M)	27
Enterprise Value (\$M)	512
Dividend (\$/sh)	0
Yield (%)	0
Next Reporting Date	Feb

THOMSON CHART - ONE YEAR



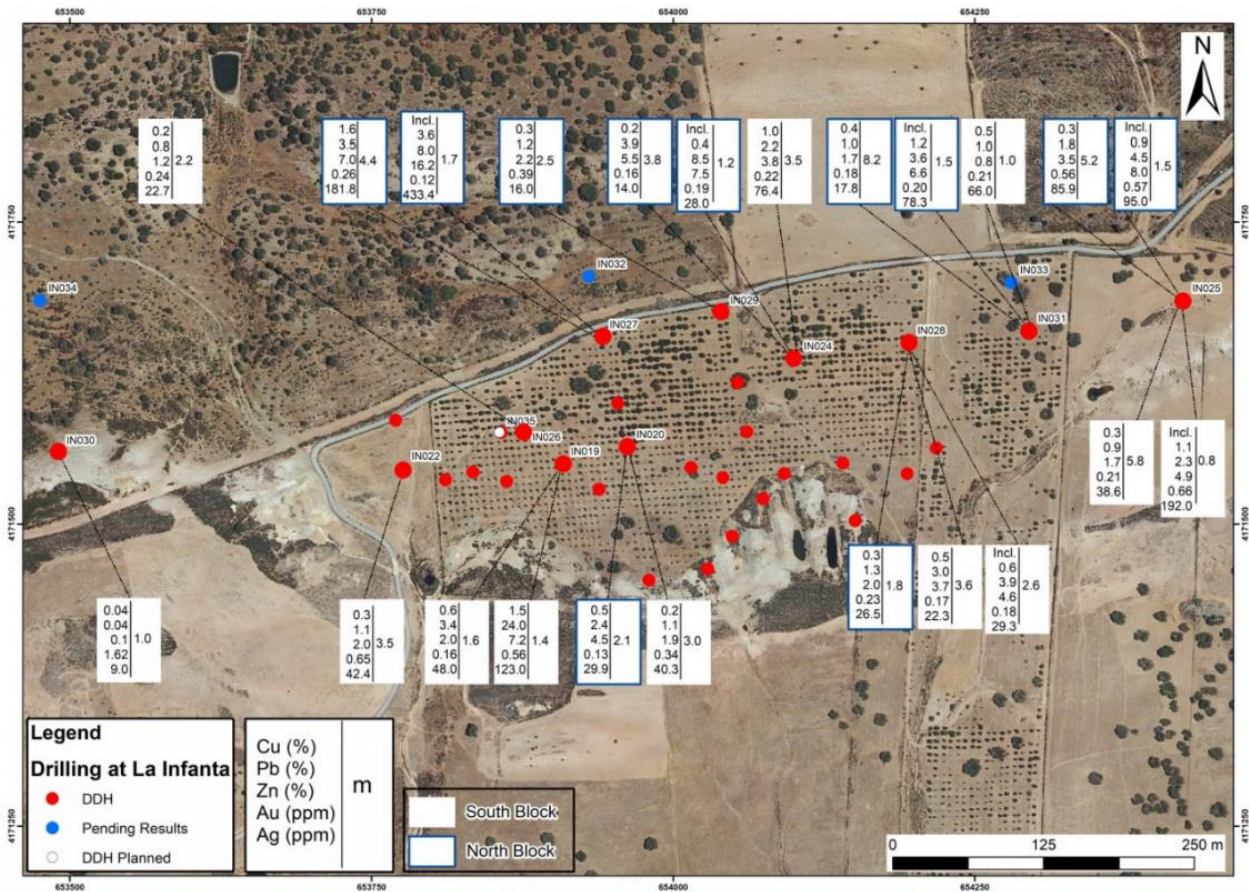
COMPANY PROFILE

Emerita is a Canadian company focused on polymetallic exploration in the Iberian Pyrite Belt in Spain. The company has two projects, Infanta and Romanera, and hopes to acquire the Aznalcóllar project through a long, complex tender process.

UPCOMING EVENTS/CATALYSTS

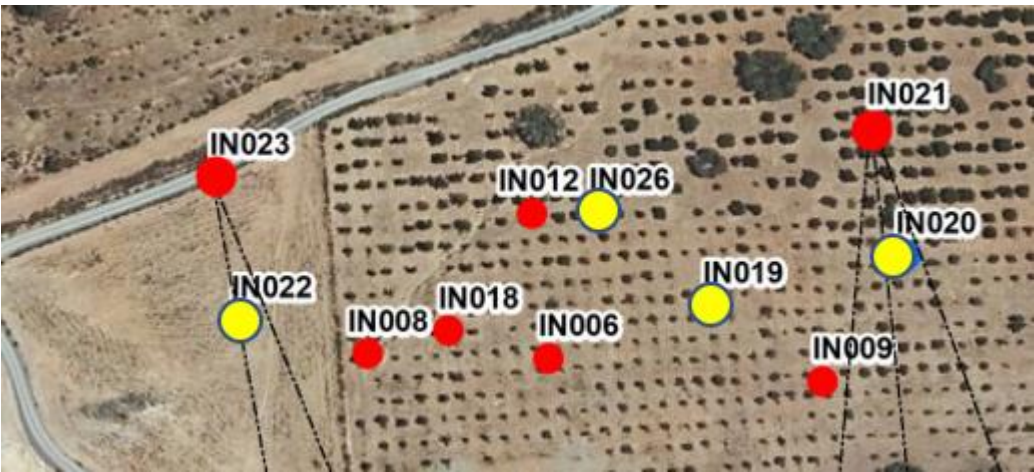
- Drill results from Infanta and Romanera
- Tender process/court proceeding results for the potential acquisition of the Aznalcóllar project

Figure 1. Drill Hole Locations and Results



Source: Company filings

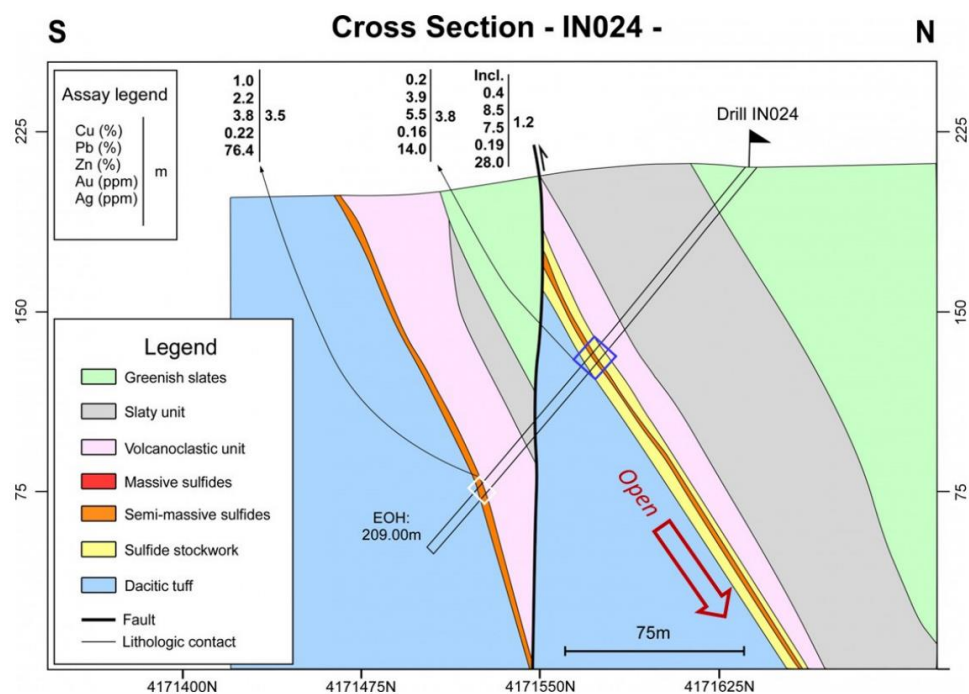
Figure 2. Infanta: Previous and New Drill Holes – Location



Yellow = January 28, 2022 holes, Red = Previous

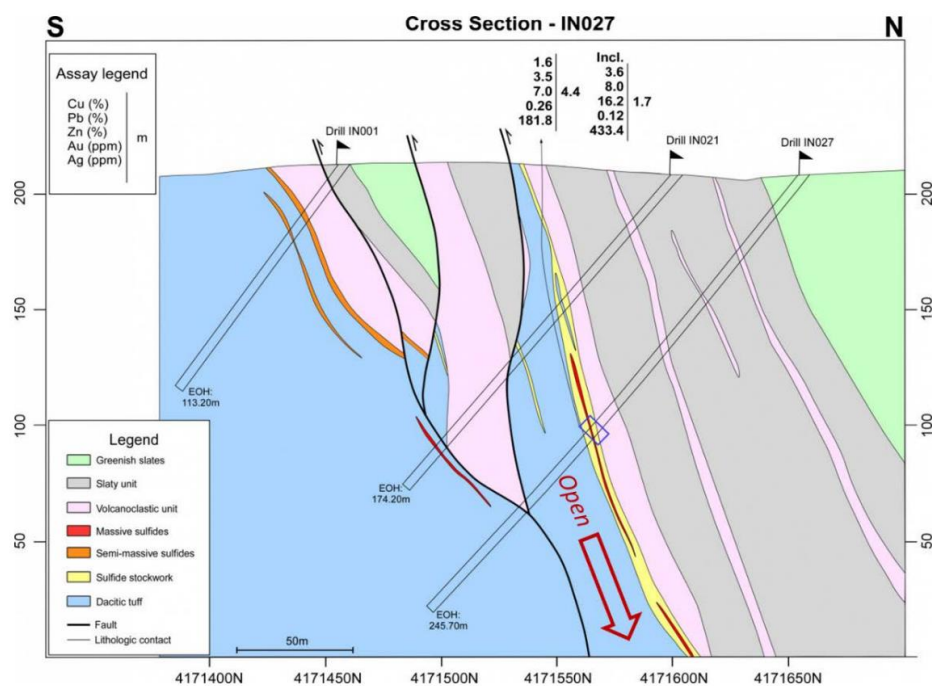
Source: Company filings, RCC

Figure 3. Cross Section of Hole IN024



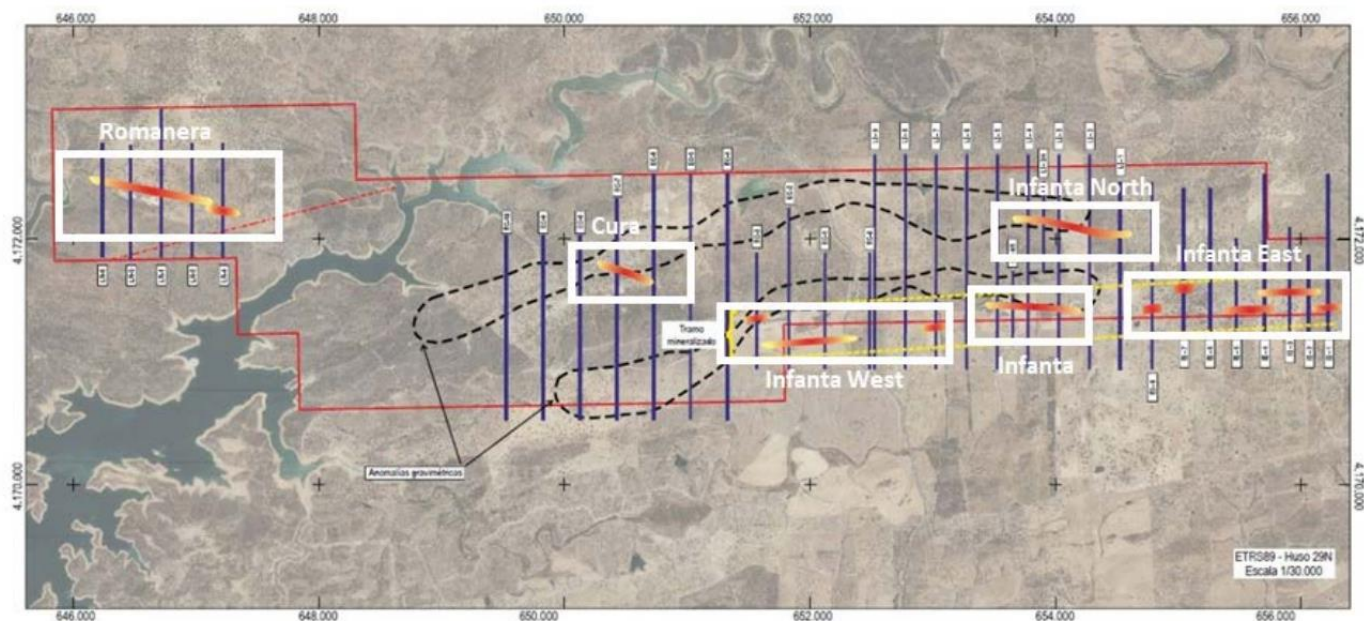
Source: Company filings

Figure 4. Cross Section of Hole IN027 (note structural complexity)



Source: Company filings

Figure 5. IBW Geophysics



Source: Company filings

RISKS

EMO is exposed to a variety of business risks including, but not limited to, unexpected development or operating issues, permitting factors, and commodity and currency fluctuations. External financing requirements are also key risks, owing to the Company's lack of operating cash flow.

EXPLORATION RISKS | Exploration comes with the risks inherent with exploration activities. Exploration can provide significant upside for investors, but it can also disappoint.

TENDER PROCESS RISKS | EMO is awaiting the outcome of a tender process for the Aznalcóllar project. There is a risk that the company will not be successful.

COMMODITY RISKS | Like all exploration companies, EMO is subject to fluctuations in commodity prices, specifically zinc (and other metals). If the price of these commodities drops materially, future equity raises may come with higher than anticipated dilution and the development of the project may become more challenging as financing would be more difficult to arrange.

CURRENCY RISKS | EMO's functional currency is the Canadian dollar, while metals are priced in US Dollars and its exploration occurs in Spain. Changes in the exchange rates between these currencies may have a positive or negative impact on EMO.

FINANCIAL RISKS | We believe EMO is sufficiently financed to complete its 2021 exploration program with a cushion remaining at the end of the year. If the company is to maintain an aggressive exploration program and/or it wins the Aznalcóllar tender process, it will likely have to raise additional funds.

POLITICAL, SOCIAL AND ENVIRONMENTAL RISKS | EMO operates in Spain, a country with a well-developed mining culture and legislation. However, environmental concerns are taken very seriously and EMO will have to work diligently to maintain itself as a good corporate citizen.

RELEVANT DISCLOSURES APPLICABLE TO COMPANIES UNDER COVERAGE

1. Relevant disclosures required under IIROC Rule 3400 applicable to companies under coverage discussed in this research report are available on our web site at www.researchcapital.ca
2. This Issuer has generated investment banking revenue for RCC.

ANALYST CERTIFICATION

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