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**Condensed Interim Consolidated Financial Statements**

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**For the three and nine months ended June 30, 2016**

**(Unaudited, expressed in Canadian Dollars)**

**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 interim financial statements; they must be accompanied by a notice indicating that the interim 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 Canadian Institute of Chartered Accountants 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****(Unaudited)***Expressed in Canadian Dollars*

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|   | Note | June 30<br>2016<br>\$ | September 30<br>2015<br>\$ |
|---|------|-----------------------|----------------------------|
| <b>ASSETS</b>                                     |      |                       |                            |
| Current   |      |                       |                            |
| Cash  |      | 519,743               | 50,477                     |
| Amounts receivable                                |      | 112,372               | 102,012                    |
| Prepaid expenses                                  |      | 7,616                 | 5,599                      |
| <b>Total current assets</b>                       |      | <b>639,731</b>        | <b>158,088</b>             |
| Long-term   |      |                       |                            |
| Reclamation deposit                               |      | 16,507                | 17,194                     |
| Equipment   |      | 22,895                | 29,505                     |
| Exploration and evaluation properties             | 3    | 1,168,972             | 991,834                    |
| <b>Total assets</b>                               |      | <b>1,848,105</b>      | <b>1,196,621</b>           |
| <b>LIABILITIES</b>                                |      |                       |                            |
| Current liabilities                               |      |                       |                            |
| Accounts payable and accrued liabilities          | 7,8  | 1,314,200             | 1,137,629                  |
| <b>Total liabilities</b>                          |      | <b>1,314,200</b>      | <b>1,137,629</b>           |
| <b>SHAREHOLDERS' EQUITY</b>                       |      |                       |                            |
| Common shares                                     | 4    | 6,944,780             | 5,913,897                  |
| Warrants reserve                                  | 5    | 405,104               | 171,799                    |
| Option reserve                                    | 5    | 23,069                | 317,069                    |
| Deficit   |      | (6,839,048)           | (6,343,773)                |
| <b>Total shareholders' equity</b>                 |      | <b>533,905</b>        | <b>58,992</b>              |
| <b>Total liabilities and shareholders' equity</b> |      | <b>1,848,105</b>      | <b>1,196,621</b>           |
| Nature of operations and going concern            |      |                       |                            |
|   | 1    |                       |                            |
| Commitments and contingencies                     |      |                       |                            |
|   | 10   |                       |                            |

Approved on behalf of the Board:

Signed: "Catherine Stretch", DirectorSigned: "David Gower", Director

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

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**Emerita Resources Corp.****Condensed Interim Consolidated Statements of Loss and Comprehensive Loss****(Unaudited)***Expressed in Canadian Dollars*

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|   | Three months ended |                  | Nine months ended |                    |
|---|--------------------|------------------|-------------------|--------------------|
|   | June 30,           |                  | June 30,          |                    |
|   | 2016               | 2015             | 2016              | 2015               |
|   | \$                 | \$               | \$                | \$                 |
| <b>Expenses</b>   |                    |                  |                   |                    |
| Project evaluation expenses                                 | 157,286            | 98,814           | 485,083           | 1,452,805          |
| Consulting and management fees                              | 165,316            | 92,592           | 351,751           | 392,697            |
| Professional fees   | 4,112              | 12,500           | 17,311            | 35,886             |
| Shareholders communications and filing fees                 | 31,700             | 6,004            | 49,074            | 45,718             |
| Travel expenses   | 9,731              | 12,114           | 27,874            | 59,211             |
| Office expenses   | 4,796              | 20,132           | 11,329            | 61,819             |
| Share-based payments  | 15,000             | -                | 21,000            | -                  |
| <b>Loss for the period before other items</b>               | <b>(387,941)</b>   | <b>(242,156)</b> | <b>(963,422)</b>  | <b>(2,048,136)</b> |
| <b>Other items</b>  |                    |                  |                   |                    |
| Interest income   | 31                 | 24               | 33                | 32                 |
| Foreign exchange gain/(loss)                                | 5,757              | (13,281)         | 168,115           | (17,908)           |
| <b>Loss and comprehensive loss for the period</b>           | <b>(382,153)</b>   | <b>(255,413)</b> | <b>(795,274)</b>  | <b>(2,066,012)</b> |
| <b>Basic and diluted loss per share</b>                     | <b>(0.01)</b>      | <b>(0.00)</b>    | <b>(0.01)</b>     | <b>(0.03)</b>      |
| <b>Weighted average number of common shares outstanding</b> |                    |                  |                   |                    |
| Basic and Diluted   | 65,032,193         | 59,087,829       | 65,032,193        | 59,087,829         |

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

**Emerita Resources Corp.**  
**Condensed Interim Consolidated Statements of Cash Flows**  
**(Unaudited)**  
*Expressed in Canadian Dollars*

|  | Note | Nine months ended<br>June 30 |                    |
|--|------|------------------------------|--------------------|
|  |      | 2016<br>\$                   | 2015<br>\$         |
| <b>CASH (USED IN) PROVIDED BY:</b>   |      |                              |                    |
| <b>OPERATING ACTIVITIES:</b>   |      |                              |                    |
| (Loss) for the period  |      | (795,274)                    | (2,066,012)        |
| Items not involving cash:  |      |                              |                    |
| Share-based payment expense  |      | 21,000                       | -                  |
| Unrealized foreign exchange loss   |      | (2,864)                      | (1,126)            |
| Working capital adjustments:   |      |                              |                    |
| Changes in amounts receivable  |      | (10,360)                     | 41,514             |
| Changes in prepaid expenses  |      | (2,017)                      | 95,122             |
| Changes in accounts payable and accrued liabilities                          |      | 161,571                      | 698,392            |
| <b>Net cash provided by operating activities</b>                             |      | <b>(627,944)</b>             | <b>(1,232,110)</b> |
| <b>INVESTING ACTIVITIES:</b>   |      |                              |                    |
| Exploration and evaluation properties, net of change in working capital      |      | (169,841)                    | (116,472)          |
| <b>Net cash (used in) investing activities</b>                               |      | <b>(169,841)</b>             | <b>(116,472)</b>   |
| <b>FINANCING ACTIVITIES:</b>   |      |                              |                    |
| Proceeds from private placement  | 4    | 1,244,000                    | 446,000            |
| Cost of issue  |      | (47,813)                     | (1,130)            |
| Exercise of warrants   | 5    | 68,000                       | -                  |
| <b>Net cash provided by financing activities</b>                             |      | <b>1,264,187</b>             | <b>444,870</b>     |
| Effect of exchange rate changes on cash                                      |      | 2,864                        | 1,126              |
| <b>CHANGE IN CASH, during the period</b>                                     |      | <b>469,266</b>               | <b>(902,586)</b>   |
| <b>CASH, beginning of period</b>   |      | <b>50,477</b>                | <b>1,024,697</b>   |
| <b>CASH, end of period</b>   |      | <b>519,743</b>               | <b>122,111</b>     |
| <b>SUPPLEMENTAL INFORMATION</b>  |      |                              |                    |
| Change in non-cash working capital for exploration and evaluation properties |      | 687                          | 28,371             |
| Amortization included in exploration and evaluation properties               |      | -                            | 6,606              |

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

# Emerita Gold Corp.

## Consolidated Statements of Changes in Shareholders' Equity

Expressed in Canadian Dollars

|  | Number of<br>shares | Common<br>Shares | Warrant<br>Reserve | Option<br>Reserve | Deficit            | Total<br>equity  |
|--|---------------------|------------------|--------------------|-------------------|--------------------|------------------|
|  | #                   | \$               | \$                 | \$                | \$                 | \$               |
| <b>Balance, September 30, 2014</b>         | <b>48,087,829</b>   | <b>5,536,826</b> | <b>16,000</b>      | <b>317,069</b>    | <b>(3,973,383)</b> | <b>1,896,512</b> |
| Warrants expired unexercised               | -                   | -                | (16,000)           | -                 | 16,000             | -                |
| Private placement, net of issue costs      | 11,000,000          | 548,870          | -                  | -                 | -                  | 548,870          |
| Warrant                                    | -                   | (119,565)        | 119,565            | -                 | -                  | -                |
| Loss and comprehensive loss for the period | -                   | -                | -                  | -                 | (2,066,012)        | (2,066,012)      |
| <b>Balance, June 30, 2015</b>              | <b>59,087,829</b>   | <b>5,966,131</b> | <b>119,565</b>     | <b>317,069</b>    | <b>(6,023,396)</b> | <b>379,369</b>   |
| <b>Balance, September 30, 2015</b>         | <b>59,087,829</b>   | <b>5,913,897</b> | <b>171,799</b>     | <b>317,069</b>    | <b>(6,343,773)</b> | <b>58,992</b>    |
| Common shares issued, net of issue costs   | 23,830,000          | 1,196,188        | -                  | -                 | -                  | 1,196,188        |
| Warrants                                   | -                   | (243,925)        | 243,925            | -                 | -                  | -                |
| Warrants exercised                         | 680,000             | 78,620           | (10,620)           | -                 | -                  | 68,000           |
| Options expired unexercised                | -                   | -                | -                  | (300,000)         | 300,000            | -                |
| Option reserve                             | -                   | -                | -                  | 6,000             | -                  | 6,000            |
| Loss and comprehensive loss for the period | -                   | -                | -                  | -                 | (795,274)          | (795,274)        |
| <b>Balance, June 30, 2016</b>              | <b>83,597,829</b>   | <b>6,944,780</b> | <b>405,104</b>     | <b>23,069</b>     | <b>(6,839,048)</b> | <b>533,905</b>   |

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

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# **Emerita Resources Corp.**

## **Notes to Condensed Interim Consolidated Financial Statements**

**June 30, 2016**

**(Unaudited)**

*Expressed in Canadian Dollars*

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### **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* (British Columbia). On January 8, 2013, the Company completed its Qualifying Transaction and ceased to be a Capital Pool Company. On January 11, 2013, the Company changed its name to Emerita Gold Corp. and commenced trading as a Tier 2 Mining Issuer on the TSX Venture Exchange ("TSXV") under the new trading symbol "EMO". On January 13, 2014 the Company changed its name to Emerita Resources Corp while maintaining the trading symbol "EMO". The Company has a wholly owned subsidiary, 2244182 Ontario Inc. ("2244182"), which owns Emerita Resources Espana SL ("Emerita Espana"), a company incorporated in Spain on May 30, 2012. The Company is currently engaged in the acquisition, exploration and development of mineral properties, with its primary focus on the Las Morras Property. 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 amounts shown for exploration and evaluation properties 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, 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 and a working capital deficit, 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 operations. Material uncertainties as mentioned above cause 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. Due to continuing operating losses, the Company's ability to continue as a going concern is dependent on its ability to obtain additional sources of financing. There is no assurance that these funds will be available on terms acceptable to the Company or at all.

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# Emerita Resources Corp.

## Notes to Condensed Interim Consolidated Financial Statements

June 30, 2016

(Unaudited)

Expressed in Canadian Dollars

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### 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, 2015.

#### *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. All values are rounded to the nearest dollar.

These condensed interim consolidated financial statements include the accounts of the Company, 7854811 Canada Inc., and Emerita Espana. All material intercompany transactions and balances between subsidiaries have been eliminated on consolidation.

#### *Approval of the consolidated financial statements*

These condensed interim consolidated financial statements of the Company for the nine months ended June 30, 2016 were reviewed, approved and authorized for issue by the Board of Directors of the Company on August 25, 2016.

### 3. EXPLORATION AND EVALUATION PROPERTIES

|  | Las Morras<br>Property | Sierra Alta<br>Property | Falcon Litio<br>Project | Total            |
|--|------------------------|-------------------------|-------------------------|------------------|
|  | \$                     | \$                      | \$                      | \$               |
| <b>Balance, September 30, 2015</b>       | <b>991,834</b>         | -                       | -                       | <b>991,834</b>   |
| Cost incurred during the period:         |                        |                         |                         | -                |
| Option to purchase                       | -                      | -                       | 77,500                  | <b>77,500</b>    |
| Land management fees, taxes and permits  | 4,507                  | -                       | -                       | <b>4,507</b>     |
| Labour, contract geologists, prospectors | -                      | -                       | -                       | -                |
| Field expenses                           | 1,180                  | -                       | -                       | <b>1,180</b>     |
| Sample analysis                          | -                      | -                       | -                       | -                |
| Technical reports                        | -                      | 5,433                   | -                       | <b>5,433</b>     |
| Travel, meals and accommodations         | 3,128                  | -                       | -                       | <b>3,128</b>     |
| Vehicle and fuel                         | -                      | -                       | -                       | -                |
| Overhead - Project office Sevilla        | 85,390                 | -                       | -                       | <b>85,390</b>    |
| <b>Balance, June 30, 2016</b>            | <b>1,086,039</b>       | <b>5,433</b>            | <b>77,500</b>           | <b>1,168,972</b> |



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# **Emerita Resources Corp.**

## **Notes to Condensed Interim Consolidated Financial Statements**

**June 30, 2016**

**(Unaudited)**

*Expressed in Canadian Dollars*

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### **3. EXPLORATION AND EVALUATION PROPERTIES (continued)**

The Company has valid permits for two gold exploration properties. Among the two properties, one being Las Morras, located in the Extremadura region, Spain, and one being Sierra Alta, located in the Asturias region in Northwestern Spain. Each of the properties is comprised of exploration permits that were issued by the Extremadura regulatory authorities and the Asturias regulatory authorities respectively.

#### **Las Morras Property**

- The original permit for Las Morras Property is comprised of 230 claims, totaling approximately 7,000 hectares. The 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. This property is located in the eastern part of the Badajoz Province of Spain. In 2013, the Company applied for five additional permits around the Las Morras Project area in the Extremadura Region. Between November 2014 and January 2015, the Company received notice from the Extremadura Region authorities that these five additional permits had been granted. The additional permits covered areas of Matillas, La Macheula, El Alandre, Matajarda and Garbayuela. As a result of difficult financing conditions, the Company decided to cancel these permits on March 12, 2015.

#### **Sierra Alta Property**

- The Sierra Alta Property is comprised of one exploration permit which consists of 90 mining claims comprising 2,700 hectares 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 will expire in August 2018.

#### **Falcon Litio Project**

- In June 2016, the Company entered into a binding letter agreement with Falcon Metais Ltda. ("Falcon") pursuant to which Falcon has granted to Emerita an option to acquire a 100% interest in the Falcon Litio MG Project on or before June 13, 2018. The Project is adjacent to Brazil's only lithium mining operation owned by Companhia Brasileira de Lítio ("CBL") and the northwestern property boundary of the Project is just 500 meters from the CBL mine. The Project is located in Minas Gerais State, Brazil, and is comprised of one exploration permit and five applications for exploration permits. The applications for exploration permits have been submitted to the Brazilian Mining Agency by Falcon and will be transferred to Emerita once the permits are granted.

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# Emerita Resources Corp.

## Notes to Condensed Interim Consolidated Financial Statements

June 30, 2016

(Unaudited)

Expressed in Canadian Dollars

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### 4. COMMON SHARES

#### Authorized

At June 30, 2016, the authorized share capital consisted of an unlimited number of common shares without par value.

#### Common Shares Issued

|   | Number of<br>shares | Amount       |
|---|---------------------|--------------|
| Balance, September 30, 2014                           | 48,087,829          | \$ 5,536,826 |
| Private placement, net of issuance costs              | 11,000,000          | 377,071      |
| <hr/>   |                     |              |
| Balance, September 30, 2015                           | 59,087,829          | \$ 5,913,897 |
| <hr/>   |                     |              |
| Private placement, net of issuance costs              | 4,250,000           | 158,567      |
| Private placement, net of issuance costs              | 19,080,000          | 716,195      |
| Mineral Property Option Acquisition                   | 500,000             | 77,500       |
| Warrant exercise (Note 5)                             | 680,000             | 68,000       |
| Valuation allocation of exercise of warrants (Note 5) | -                   | 10,621       |
| <hr/>   |                     |              |
| Balance, June 30, 2016                                | 83,597,829          | \$ 6,944,780 |

- (i) On December 24, 2015, the Company completed a non-brokered private placement financing by issuing 4,250,000 units at a price of \$0.05 per unit for gross proceeds of \$212,500. Each unit is comprised of one common share and one warrant. Each warrant is exercisable at a price of \$0.10 per warrant until December 24, 2017. The fair value of the warrants was estimated at \$53,125 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 124%; risk-free interest rate of 0.49% and an expected life of 2 years.
- (ii) On April 24, 2015, the Company completed a non-brokered private placement financing by issuing 11,000,000 units at a price of \$0.05 per unit for gross proceeds of \$550,000. Each unit is comprised of one common share and one warrant. Each warrant is exercisable at a price of \$0.10 per warrant until April 24, 2017. The fair value of the warrants was estimated at \$171,799 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 132%; risk-free interest rate of 0.68% and an expected life of 2 years.
- (iii) On May 20, 2016, the Company completed a non-brokered private placement financing by issuing 19,080,000 units at a price of \$0.05 per unit for gross proceeds of \$954,000. Each unit is comprised of one common share and one warrant. Each warrant is exercisable at a price of \$0.10 per warrant until May 20, 2018. The fair value of the warrants was estimated at \$190,800 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 111%; risk-free interest rate of 0.62% and an expected life of 2 years.
- (iv) 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 Falcon Lito MG Project on or before June 13, 2018. In order to acquire the option, the Company issued 500,000 common shares at a price per share of \$0.155.

# Emerita Resources Corp.

## Notes to Condensed Interim Consolidated Financial Statements

June 30, 2016

(Unaudited)

Expressed in Canadian Dollars

### 5. EQUITY RESERVES

#### Warrants

Warrants outstanding during the nine months ended June 30, 2016 are as follows:

|                               | Number of<br>warrants | Weighted<br>average<br>exercise price | Value<br>of<br>warrants |
|-------------------------------|-----------------------|---------------------------------------|-------------------------|
| Balance, September 30, 2015   | 11,000,000            | 0.10                                  | \$ 171,799              |
| Granted, December 24, 2015    | 4,250,000             | 0.10                                  | 53,125                  |
| Exercised, April 4, 2016      | (80,000)              | 0.10                                  | (1,249)                 |
| Exercised, April 29, 2016     | (100,000)             | 0.10                                  | (1,562)                 |
| Granted, May 20, 2016         | 19,080,000            | 0.10                                  | 190,800                 |
| Exercised, June 20, 2016      | (500,000)             | 0.10                                  | (7,809)                 |
| <b>Balance, June 30, 2016</b> | <b>33,650,000</b>     | <b>0.10</b>                           | <b>\$ 405,104</b>       |

The following summarizes the warrants outstanding as of June 30, 2016:

| Number<br>outstanding<br># | Number<br>exercisable<br># | Grant<br>date | Expiry<br>date | Exercise<br>price<br>\$ | Estimated<br>Grant date<br>fair value<br>\$ | Expected<br>volatility | Risk-free<br>interest<br>rate | Expected<br>life (Yrs)<br># | Expected<br>dividend<br>yield |
|----------------------------|----------------------------|---------------|----------------|-------------------------|---|------------------------|-------------------------------|-----------------------------|-------------------------------|
| 10,320,000                 | 10,320,000                 | 24-Apr-15     | 24-Apr-17      | \$0.10                  | 161,179                                     | 132%                   | 0.68%                         | 2.00                        | 0%                            |
| 4,250,000                  | 4,250,000                  | 24-Dec-15     | 24-Dec-17      | \$0.10                  | 53,125                                      | 124%                   | 0.49%                         | 2.00                        | 0%                            |
| 19,080,000                 | 19,080,000                 | 20-May-16     | 20-May-18      | \$0.10                  | 190,800                                     | 111%                   | 0.62%                         | 2.00                        | 0%                            |
| <b>33,650,000</b>          | <b>33,650,000</b>          |               |                |                         | <b>405,104</b>                              |                        |                               |                             |                               |

The weighted-average remaining contractual life of the warrants as of June 30, 2016 is 1.508 years.

#### Share-based payments

Options outstanding during the six months ended June 30, 2016 are as follows:

|                                      | Number of<br>options | Weighted<br>average<br>exercise price | Estimated<br>grant date<br>fair value |
|--------------------------------------|----------------------|---------------------------------------|---------------------------------------|
| Balance, September 30, 2015 and 2014 | 3,560,000            | \$ 0.18                               | \$ 317,069                            |
| Expired unexercised                  | (3,000,000)          | 0.20                                  | (300,000)                             |
| Granted- November 25, 2015           | 200,000              | 0.10                                  | 4,000                                 |
| Granted- March 1, 2016               | 200,000              | 0.05                                  | 2,000                                 |
| <b>Balance, June 30, 2016</b>        | <b>960,000</b>       | <b>\$ 0.02</b>                        | <b>\$ 23,069</b>                      |

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# Emerita Resources Corp.

## Notes to Condensed Interim Consolidated Financial Statements

June 30, 2016

(Unaudited)

Expressed in Canadian Dollars

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### 5. EQUITY RESERVES (continued)

Options outstanding as of June 30, 2016 are as follows:

| Number outstanding # | Number exercisable # | Grant date | Expiry date | Exercise price \$ | Estimated grant date fair value \$ | Expected volatility | Risk-free interest rate | Expected life (Yrs) # | Expected dividend yield |
|----------------------|----------------------|------------|-------------|-------------------|------------------------------------|---------------------|-------------------------|-----------------------|-------------------------|
| 560,000              | 560,000              | 28-Aug-13  | 28-Aug-16   | \$0.10            | 17,069                             | 100%                | 1.32%                   | 3.00                  | 0%                      |
| 200,000              | 200,000              | 25-Nov-15  | 25-Nov-17   | \$0.10            | 4,000                              | 118%                | 0.63%                   | 2.00                  | 0%                      |
| 200,000              | 200,000              | 01-Mar-16  | 01-Mar-18   | \$0.05            | 2,000                              | 98%                 | 0.53%                   | 2.00                  | 0%                      |

The weighted average remaining contractual life of the options as of June 30, 2016 is 0.735 years.

### 6. CAPITAL MANAGEMENT

The Company manages and adjusts its capital structure based on available funds in order to support the acquisition, exploration and development of exploration and evaluation 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 capital of the Company consists of common shares, warrants and options of the Company.

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 nine months ended June 30, 2016.

The Company and its subsidiaries are not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSXV which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months.

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# Emerita Resources Corp.

## Notes to Condensed Interim Consolidated Financial Statements

June 30, 2016

(Unaudited)

Expressed in Canadian Dollars

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### 7. 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 June 30, 2016, 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 from its property interests in Spain 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.

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# Emerita Resources Corp.

## Notes to Condensed Interim Consolidated Financial Statements

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### 7. FINANCIAL INSTRUMENTS (continued)

As at September 30, 2015 and June 30, 2016, the Company had the following financial instruments and denominated in foreign currency (expressed in Canadian dollars):

| <b>June 30, 2016</b>                     |                     |                    |
|--|---------------------|--------------------|
|  | <b>Euro</b>         | <b>US dollars</b>  |
| Cash                                     | \$ 68,727           | \$ 188             |
| Accounts payable and accrued liabilities | (409,161)           | (88,266)           |
|  | <u>\$ (340,434)</u> | <u>\$ (88,078)</u> |

  

| <b>September 30, 2015</b>                |                     |                     |
|--|---------------------|---------------------|
|  | <b>Euro</b>         | <b>US dollars</b>   |
| Cash                                     | \$ 38,391           | \$ 5,352            |
| Accounts payable and accrued liabilities | (465,855)           | (124,898)           |
|  | <u>\$ (427,464)</u> | <u>\$ (119,546)</u> |

A 1% strengthening (weakening) of the Canadian dollar against the Euro and US dollar would decrease (increase) net loss by approximately \$3,500 (September 30, 2015 - \$4,000), and \$900 (September 30, 2015 - \$1,200), respectively.

(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 June 30, 2016, the Company had a cash balance of \$519,743 (September 30, 2015 - \$50,477) to settle current liabilities of \$1,314,200 (September 30, 2015 - \$1,137,629).

(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 it relates to gold, 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.

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# Emerita Resources Corp.

## Notes to Condensed Interim Consolidated Financial Statements

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(Unaudited)

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### 8. 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 June 30, 2016, an amount of \$422,468, included in accounts payable and accrued liabilities, was owed to directors and officers of the Company (September 30, 2015 - \$297,163). The amounts outstanding on fees are unsecured, non-interest bearing, with no fixed terms of repayment.

#### *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 nine months ended June 30, 2016, the remuneration of directors and other key management personnel are as follows:

|                     | Nine months ended<br>June 30 |            |
|---------------------|------------------------------|------------|
|                     | 2016                         | 2015       |
| Short-term benefits | \$ 111,232                   | \$ 163,199 |

### 9. SEGMENT INFORMATION

The Company conducts its business as a single operating segment, being mineral exploration and evaluation in Spain and Brazil. At June 30, 2016 and September 30, 2015, all exploration and evaluation assets were located in Spain. The following tables summarize the total assets and liabilities by geographic segment as at June 30, 2016 and September 30, 2015:

| <b>June 30, 2016</b>                  | <b>Spain</b>        | <b>Canada</b>     | <b>Total</b>        |
|---------------------------------------|---------------------|-------------------|---------------------|
| Cash                                  | \$ 68,727           | \$ 451,016        | \$ 519,743          |
| Other current assets                  | 98,717              | 21,271            | 119,988             |
| Reclamation deposit                   | 16,507              | -                 | 16,507              |
| Property, plant and equipment         | 22,895              | -                 | 22,895              |
| Exploration and evaluation properties | 1,168,972           | -                 | 1,168,972           |
| <b>Total Assets</b>                   | <b>\$ 1,375,818</b> | <b>\$ 472,287</b> | <b>\$ 1,848,105</b> |

|  |                   |                   |                     |
|--|-------------------|-------------------|---------------------|
| Accounts payable and accrued liabilities | \$ 409,160        | \$ 905,040        | \$ 1,314,200        |
| <b>Total liabilities</b>                 | <b>\$ 409,160</b> | <b>\$ 905,040</b> | <b>\$ 1,314,200</b> |

| <b>September 30, 2015</b>             | <b>Spain</b>        | <b>Canada</b>    | <b>Total</b>        |
|---------------------------------------|---------------------|------------------|---------------------|
| Cash                                  | \$ 38,391           | \$ 12,086        | 50,477              |
| Other current assets                  | 91,074              | 16,537           | 107,611             |
| Reclamation deposit                   | 17,194              | -                | 17,194              |
| Property, plant and equipment         | 29,505              | -                | 29,505              |
| Exploration and evaluation properties | \$ 991,834          | -                | 991,834             |
| <b>Total Assets</b>                   | <b>\$ 1,167,998</b> | <b>\$ 28,623</b> | <b>\$ 1,196,621</b> |

|  |                   |                   |                     |
|--|-------------------|-------------------|---------------------|
| Accounts payable and accrued liabilities | \$ 465,854        | \$ 671,775        | 1,137,629           |
| <b>Total liabilities</b>                 | <b>\$ 465,854</b> | <b>\$ 671,775</b> | <b>\$ 1,137,629</b> |

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# **Emerita Resources Corp.**

## **Notes to Condensed Interim Consolidated Financial Statements**

**June 30, 2016**

**(Unaudited)**

*Expressed in Canadian Dollars*

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### **9. SEGMENT INFORMATION (continued)**

The following tables summarize the loss by geographic segment for the nine months ended June 30, 2016 and 2015:

| <b>June 30, 2016</b>                | <b>Spain</b>      | <b>Canada</b>     | <b>Total</b>      |
|-------------------------------------|-------------------|-------------------|-------------------|
| Interest income                     | \$ -              | \$ (33)           | \$ (33)           |
| Project evaluation expenses         | 485,083           | -                 | 485,083           |
| General and administrative expenses | -                 | 478,339           | 478,339           |
| Foreign exchange (gain) loss        | (168,115)         | -                 | (168,115)         |
| <b>Loss</b>                         | <b>\$ 316,968</b> | <b>\$ 478,306</b> | <b>\$ 795,274</b> |

| <b>June 30, 2015</b>                | <b>Spain</b>        | <b>Canada</b>     | <b>Total</b>        |
|-------------------------------------|---------------------|-------------------|---------------------|
| Interest income                     | \$ -                | \$ (32)           | \$ (32)             |
| Project evaluation expenses         | 1,452,805           | -                 | 1,452,805           |
| General and administrative expenses | -                   | 595,331           | 595,331             |
| Foreign exchange gain               | 17,908              | -                 | 17,908              |
| <b>Loss</b>                         | <b>\$ 1,470,713</b> | <b>\$ 595,299</b> | <b>\$ 2,066,012</b> |

### **10. COMMITMENTS AND CONTINGENCIES**

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 \$300,000 (2015 - \$300,000) and additional contingent payments of up to approximately \$1,140,000 (2015 - \$1,120,000) 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.