



(formerly Emerita Gold Corp.)

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**Consolidated Financial Statements**

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**For the years ended September 30, 2014 and 2013**

**(Expressed in Canadian Dollars)**

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Emerita Resources Corp.

We have audited the accompanying consolidated financial statements of Emerita Resources Corp. and its subsidiaries, which comprise the consolidated statements of financial position as at September 30, 2014 and 2013, and the consolidated statements of loss and comprehensive loss, consolidated statements of cash flows and consolidated statements of changes in shareholders' equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

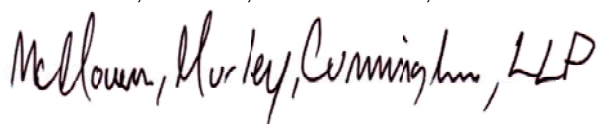
### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Emerita Resources Corp. and its subsidiaries as at September 30, 2014 and 2013, and their financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

### Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that the Company had continuing losses during the year ended September 30, 2014 and a cumulative deficit as at September 30, 2014. These conditions along with other matters set forth in Note 1 indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

McGOVERN, HURLEY, CUNNINGHAM, LLP



Chartered Accountants  
Licensed Public Accountants

TORONTO, Canada  
January 27, 2015

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**Emerita Resources Corp. (formerly Emerita Gold Corp.)****Consolidated Statements of Financial Position****As at:***Expressed in Canadian Dollars*

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	Note	September 30, 2014	September 30, 2013
		\$	\$
<b>ASSETS</b>			
Current			
Cash and cash equivalents		1,024,697	1,712,915
Amounts receivable		62,951	85,661
Prepaid expenses and advances		107,624	10,158
Total current assets		1,195,272	1,808,734
Long-term			
Reclamation deposit		26,183	23,119
Equipment	4	38,337	-
Exploration and evaluation properties	5	978,907	737,181
Total assets		2,238,699	2,569,034
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable and accrued liabilities	10	342,187	165,289
Total liabilities		342,187	165,289
<b>SHAREHOLDERS' EQUITY</b>			
Common shares	6	5,536,826	4,317,035
Warrant reserve	7	16,000	19,904
Option reserve	7	317,069	314,069
Deficit		(3,973,383)	(2,247,263)
Total shareholders' equity		1,896,512	2,403,745
Total liabilities and shareholders' equity		2,238,699	2,569,034
Nature of operations and going concern	1		
Commitments and contingencies	13		

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

**Emerita Resources Corp. (formerly Emerita Gold Corp.)**  
**Consolidated Statements of Loss and Comprehensive Loss**  
**Years ended**  
*Expressed in Canadian Dollars*

	Note	Years ended September 30,	
		2014	2013
		\$	\$
<b>Expenses</b>			
Project evaluation expenses		647,369	173,867
Consulting and management fees		709,634	551,511
Professional fees		43,725	69,558
Shareholders communications and filing fees		123,004	98,586
Travel expenses		72,882	45,752
Office expenses		106,140	51,504
RTO listing and transaction expenses	3	-	745,682
Share-based payments	7	3,000	314,069
<b>Loss for the year before other items</b>		<b>(1,705,754)</b>	<b>(2,050,529)</b>
<b>Other items</b>			
Interest income		6,370	22,294
Foreign exchange loss		(30,640)	(4,824)
<b>Loss and comprehensive loss for the year</b>		<b>(1,730,024)</b>	<b>(2,033,059)</b>
<b>Basic and diluted loss per share</b>		<b>(0.05)</b>	<b>(0.07)</b>
<b>Weighted average number of common shares outstanding</b>			
Basic and Diluted		37,291,895	29,377,547

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

**Emerita Resources Corp. (formerly Emerita Gold Corp.)****Consolidated Statements of Cash Flows****Years ended***Expressed in Canadian Dollars*

		Years ended September 30,	
	Note	2014 \$	2013 \$
<b>CASH (USED IN) PROVIDED BY:</b>			
<b>OPERATING ACTIVITIES:</b>			
(Loss) for the year		(1,730,024)	(2,033,059)
Items not involving cash:			
Share-based payments	7	3,000	314,069
Amortization		8,730	-
Excess of purchase price over fair value of assets acquired		-	663,563
Sponsor warrants issued		-	16,000
Unrealized foreign exchange loss		32,897	-
Working capital adjustments:			
Changes in amounts receivable		25,899	(24,703)
Changes in prepaid expenses and advances		(98,118)	(4,687)
Changes in accounts payable and accrued liabilities		232,316	29,813
<b>Net cash used in operating activities</b>		<b>(1,525,300)</b>	<b>(1,039,004)</b>
<b>INVESTING ACTIVITIES:</b>			
Exploration and evaluation properties, net of change in working capital		(346,854)	(544,820)
Equipment		(2,958)	-
<b>Net cash used in investing activities</b>		<b>(349,812)</b>	<b>(544,820)</b>
<b>FINANCING ACTIVITIES:</b>			
Proceeds from private placement		1,227,575	3,000,075
Shares issued from exercise of options		-	50,000
Cost of issue		(7,784)	(13,372)
Cash from RTO	3	-	237,473
<b>Net cash generated from financing activities</b>		<b>1,219,791</b>	<b>3,274,176</b>
Effect of exchange rate changes on cash		(32,897)	-
<b>CHANGE IN CASH, during the year</b>		<b>(688,218)</b>	<b>1,690,352</b>
<b>CASH, beginning of year</b>		<b>1,712,915</b>	<b>22,563</b>
<b>CASH, end of year</b>		<b>1,024,697</b>	<b>1,712,915</b>
<b>SUPPLEMENTAL INFORMATION</b>			
Change in non-cash working capital for exploration and evaluation properties		(61,020)	7,954
Amortization included in exploration and evaluation properties		3,566	-

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

**Emerita Resources Corp. (formerly Emerita Gold Corp.)**  
**Consolidated Statements of Changes in Shareholders' Equity**  
*Expressed in Canadian Dollars*

	Number of shares	Common Shares	Warrant Reserve	Option Reserve	Deficit	Total equity
	#	\$	\$	\$	\$	\$
<b>Balance, September 30, 2012</b>	<b>12,553,450</b>	<b>355,346</b>	<b>-</b>	<b>-</b>	<b>(214,204)</b>	<b>141,142</b>
Common shares issued for cash:						
Private placement, net of issue costs	17,647,500	2,982,799	3,904	-	-	2,986,703
Shares and options issued for RTO transaction	5,111,129	868,890	-	60,000	-	928,890
Shares issued from exercise of options	500,000	50,000				50,000
Allocation of fair value on options exercised	-	60,000		(60,000)	-	-
Sponsor warrants	-	-	16,000	-	-	16,000
Share-based payments	-	-	-	314,069	-	314,069
Loss and comprehensive loss for the year	-	-	-	-	(2,033,059)	(2,033,059)
<b>Balance, September 30, 2013</b>	<b>35,812,079</b>	<b>4,317,035</b>	<b>19,904</b>	<b>314,069</b>	<b>(2,247,263)</b>	<b>2,403,745</b>
Common shares issued, net of issue costs	12,275,750	1,219,791	-	-	-	1,219,791
Warrants expired unexercised	-	-	(3,904)	-	3,904	-
Share-based payments	-	-	-	3,000	-	3,000
Loss and comprehensive loss for the year	-	-	-	-	(1,730,024)	(1,730,024)
<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>

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

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# **Emerita Resources Corp. (formerly Emerita Gold Corp.)**

## **Notes to Consolidated Financial Statements**

**September 30, 2014 and 2013**

*Expressed in Canadian Dollars*

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### **1. NATURE OF OPERATION AND GOING CONCERN**

Emerita Resources Corp. (formerly Emerita Gold 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. The Company changed its name to Emerita Gold Corp. and commenced trading as a Tier 2 Mining Issuer on the TSX Venture Exchange on January 11, 2013 under the trading symbol “EMO”. The Company changed its name further to Emerita Resources Corp. on January 13, 2014. The Company has two wholly owned subsidiaries, 7854811 Canada Inc. (inactive) and Emerita Resources Espana SL (formerly Loric Gold, Sociedad Limitada) (“Emerita Espana”), a company incorporated on May 30, 2012 in Spain. The Company is currently engaged in the acquisition, exploration and development of mineral properties, with its primary focus on the Las Morras Property located in Spain. 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. (formerly Emerita Gold Corp.)****Notes to Consolidated Financial Statements****September 30, 2014 and 2013***Expressed in Canadian Dollars*

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**2. SIGNIFICANT ACCOUNTING POLICIES*****Statement of compliance***

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), and include interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The policies set out below were consistently applied to all the periods presented unless otherwise noted below.

***Basis of presentation***

These 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 consolidated financial statements are presented in Canadian dollars which is the functional currency of the Company and its subsidiaries. All values are rounded to the nearest dollar.

These 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 consolidated financial statements of the Company for the year ended September 30, 2014 were reviewed, approved and authorized for issue by the Board of Directors of the Company on January 27, 2015.

***Critical judgements and estimation uncertainties***

The preparation of financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the financial statements and related notes to the financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

***Assets' carrying values and impairment charges***

In the determination of carrying values and impairment charges, management looks at the higher of recoverable amount or fair value less costs to sell in the case of assets and at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

***Capitalization of exploration and evaluation costs***

Management has determined that exploration and evaluation costs incurred during the years have future economic benefits and are economically recoverable. In making this judgement, management has assessed various sources of information including, but not limited to, the geologic and metallurgic information, operating management expertise and existing permits. See Note 5 for details of capitalized exploration and evaluation costs.



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**Emerita Resources Corp. (formerly Emerita Gold Corp.)****Notes to Consolidated Financial Statements****September 30, 2014 and 2013***Expressed in Canadian Dollars*

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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)*****Critical judgements and estimation uncertainties (continued)****Impairment of exploration and evaluation properties*

While assessing whether any indications of impairment exist for exploration and evaluation properties, consideration is given to both external and internal sources of information. Information the Company considers include changes in the market, economic and legal environment in which the Company operates that are not within its control and affect the recoverable amount of exploration and evaluation properties. Internal sources of information include the manner in which exploration and evaluation properties are being used or are expected to be used and indications of expected economic performance of the properties. Estimates include but are not limited to estimates of the discounted future cash flows expected to be derived from the Company's properties, costs to sell the properties and the appropriate discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write-down of the carrying amounts of the Company's exploration and evaluation properties.

*Income taxes*

In assessing the probability of realizing income tax assets and valuing income tax liabilities, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers relevant tax planning opportunities that are within the Company's control, are feasible and are within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

*Equipment*

Equipment is stated at cost, less accumulated amortization and accumulated impairment losses. Cost comprises the fair value of consideration given to acquire or construct an asset and includes the direct charges associated with bringing the asset to the location and condition necessary for putting it into use.

When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment.

Equipment is recorded at cost. Amortization is provided on a straight-line basis over the estimated useful lives of the equipment using the following number of years:

Office equipment	5 - 10 years
Office furniture	5 - 10 years
Vehicle	5 years
Computer software	3 - 5 years

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**Emerita Resources Corp. (formerly Emerita Gold Corp.)****Notes to Consolidated Financial Statements****September 30, 2014 and 2013***Expressed in Canadian Dollars*

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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)****Share-based payments**

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

**Contingencies**

Refer to Note 13.

***Principles of consolidation***

These consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Generally, the Company has a shareholding of more than one half of the voting rights in its subsidiaries. The effects of potential voting rights that are currently exercisable are considered when assessing whether control exists. Subsidiaries are fully consolidated from the date control is transferred to the Company, and are de-consolidated from the date control ceases. The financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

***Financial instruments*****Financial assets**

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

*Fair value through profit or loss* - This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in loss.

*Loans and receivables* - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Any changes to the carrying amount of the asset, including impairment losses, are recognized in loss.

*Held-to-maturity investments* - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in loss.

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**Emerita Resources Corp. (formerly Emerita Gold Corp.)****Notes to Consolidated Financial Statements****September 30, 2014 and 2013***Expressed in Canadian Dollars*

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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)*****Financial instruments (Continued)****Financial assets (Continued)*

*Available-for-sale* - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized in other comprehensive income/loss. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from accumulated other comprehensive loss and recognized in loss.

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The Company's financial assets are comprised of cash which is classified as loans and receivables.

*Financial liabilities*

All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs. The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

*Fair value through profit or loss* - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in loss.

*Other financial liabilities* - After initial recognition, loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in loss when the liabilities are derecognized, as well as through the effective interest rate amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate method. The amortization of the effective interest is included in other items in loss.

The Company's financial liabilities are comprised of accounts payable and accrued liabilities and are classified as other financial liabilities.

*Derecognition*

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in loss.

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**Emerita Resources Corp. (formerly Emerita Gold Corp.)****Notes to Consolidated Financial Statements****September 30, 2014 and 2013***Expressed in Canadian Dollars*

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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)***Fair value of financial instruments*

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

***Exploration and evaluation properties***

Expenditures on exploration and evaluation activities, including costs incurred to acquire and secure exploration property licenses, are capitalized to exploration and evaluation properties.

Project evaluation expenses included in net loss relate to the initial search for deposits with economic potential and to detailed assessments of deposits or other projects that have been identified as having economic potential.

Management reviews the carrying value of capitalized exploration and evaluation costs at least annually. The review is based on the Company's intentions for development of the undeveloped property. Subsequent recovery of the resulting carrying value depends on successful development or sale of the undeveloped project. If a project does not prove viable, all irrecoverable costs associated with the project net of any impairment provisions are written off to loss.

The recoverability of amounts shown for exploration and evaluation properties is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition.

Costs recovered in excess of the carrying amount are recognized in loss.

***Development assets***

When economically viable reserves have been determined and the decision to proceed with development has been approved, the expenditures related to development and construction are capitalized as construction-in-progress and classified as a component of property, plant and equipment. Costs associated with the commissioning of new assets incurred in the period before they are operating in the way intended by management, are capitalized. Development expenditure is net of the proceeds of the sale of metals from ore extracted during the development phase. Interest on borrowings related to the construction and development of assets are capitalized until substantially all the activities required to make the asset ready for its intended use are complete.

***Issued capital***

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

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**Emerita Resources Corp. (formerly Emerita Gold Corp.)****Notes to Consolidated Financial Statements****September 30, 2014 and 2013***Expressed in Canadian Dollars*

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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)*****Foreign currencies***

The presentation and functional currency of the Company and its subsidiaries is the Canadian dollar.

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Exchange differences are recognized in operations in the period in which they arise.

***Income taxes***

Any income tax on profit or loss for the period presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income/loss, in which case the income tax is recognized in equity or other comprehensive income/loss.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to set off the amounts, and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously. Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, on a non-discounted basis using tax rates at the end of the reporting period applicable to the period of expected realization. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

***Share-based payments***

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity settled share-based transactions are set out in the equity reserves note.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a graded vesting basis over the period during which the employee becomes unconditionally entitled to equity instruments, based on the Company's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For those options and warrants that expire after vesting, the recorded value is transferred to deficit.

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**Emerita Resources Corp. (formerly Emerita Gold Corp.)****Notes to Consolidated Financial Statements****September 30, 2014 and 2013***Expressed in Canadian Dollars*

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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)*****Loss per share***

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. The diluted loss per share calculation assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted loss per share calculation. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive. All of the Company's outstanding stock options and warrants were anti-dilutive for the years ended September 30, 2014 and 2013.

***Impairment of non-financial assets***

The carrying values of capitalized exploration and evaluation properties are assessed for impairment when indicators of such impairment exist. If any indication of impairment exists an estimate of the asset's recoverable amount is calculated. The recoverable amount is determined as the higher of the fair value less costs to sell for the asset and the asset's value in use.

Impairment is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, the individual assets of the Company are grouped together into cash generating units ("CGUs") for impairment purposes. Such CGUs represent the lowest level for which there are separately identifiable cash inflows that are largely independent of the cash flows from other assets or other groups of assets. This generally results in the Company evaluating its non-financial assets on a geographical basis.

If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to loss so as to reduce the carrying amount to its recoverable amount.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation/amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in loss.

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**Emerita Resources Corp. (formerly Emerita Gold Corp.)****Notes to Consolidated Financial Statements****September 30, 2014 and 2013***Expressed in Canadian Dollars*

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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)*****Rehabilitation provision***

The Company records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas.

The obligation generally arises when the asset is installed or the ground / environment is disturbed at the production location. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related mining assets to the extent that it was incurred prior to the production of related ore. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognized in operations as a finance cost. Additional disturbances or changes in rehabilitation costs will be recognized as additions or charges to the corresponding assets and rehabilitation liability when they occur. For closed sites, changes to estimated costs are recognized immediately in loss.

The Company does not currently have any such significant legal or constructive obligations and therefore, no rehabilitation provision has been recorded as at September 30, 2014 or 2013.

***Changes in Accounting Policies***

The Company has adopted the following new standards, along with any consequential amendments, effective October 1, 2013. These changes were made in accordance with the applicable transitional provisions.

IFRS 7 — Financial Instruments: Disclosures (“IFRS 7”) was amended by the IASB in December 2011 to amend the disclosure requirements in IFRS 7 to require information about all recognised financial instruments that are offset in accordance with paragraph 42 of IAS 32 Financial Instruments: Presentation. The amendments also require disclosure of information about recognised financial instruments subject to enforceable master netting arrangements and similar agreements even if they are not set off under IAS 32. The adoption of this standard did not result in any changes to the Company’s disclosure of its financial instruments.

IFRS 10 – Consolidated Financial Statements (“IFRS 10”) was issued by the IASB in May 2011 and will replace IAS 27 Consolidated and Separate Financial Statements and SIC 12 Consolidation – Special Purpose Entities. IFRS 10 is a new standard which identifies the concept of control as the determining factor in assessing whether an entity should be included in the consolidated financial statements of the parent company. Control is comprised of three elements: power over an investee; exposure, or rights, to variable returns from involvement with the investee; and the ability to use power over the investee to affect returns. The adoption of this standard did not result in any changes in the consolidation status of the Company’s subsidiaries.

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**Emerita Resources Corp. (formerly Emerita Gold Corp.)****Notes to Consolidated Financial Statements****September 30, 2014 and 2013***Expressed in Canadian Dollars*

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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)*****Changes in Accounting Policies (Continued)***

IFRS 11 – Joint Arrangements (“IFRS 11”) was issued by the IASB in May 2011 and will replace IAS 31 Interest in Joint Ventures and SIC 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers. IFRS 11 is a new standard which focuses on classifying joint arrangements by their rights and obligations rather than their legal form. Entities are classified into two groups: joint operations and joint ventures. A joint operation exists when the parties have rights to the assets and obligations for the liabilities of a joint arrangement. A joint venture exists when the parties have rights to the net assets of a joint arrangement. Assets, liabilities, revenues and expenses in a joint operation are accounted for in accordance with the arrangement. Joint ventures are accounted for using the equity method. The adoption of this standard did not result in any changes to the Company’s consolidated financial statements.

IFRS 12 – Disclosure of Interests in Other Entities (“IFRS 12”) was issued by the IASB in May 2011. IFRS 12 is a new standard which provides disclosure requirements for entities reporting interests in other entities, including joint arrangements, special purpose vehicles and off balance sheet vehicles. The adoption of this standard did not result in any changes to the Company’s disclosure requirements for interests in other entities.

IAS 28 - Investments in Associates and Joint Ventures (“IAS 28”) was issued by the IASB in May 2011 and supersedes IAS 28 Investments in Associates and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28 defines significant influence as the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. IAS 28 also provides guidance on how the equity method of accounting is to be applied and also prescribes how investments in associates and joint ventures should be tested for impairment. The adoption of this standard did not result in any changes to the Company’s consolidated financial statements.

***Future accounting changes***

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for fiscal years of the Company beginning January 1, 2014 or later. Updates that are not applicable or are not consequential to the Company have been excluded thereof. The Company has not yet determined the impact of the followings on its consolidated financial statements.

IFRS 9 – Financial Instruments (“IFRS 9”) was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity’s own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

IFRS 11 - Joint Arrangements (“IFRS 11”) was amended in May 2014 to require business combination accounting to be applied to acquisitions of interests in a joint operation that constitute a business. The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier adoption permitted.



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**Emerita Resources Corp. (formerly Emerita Gold Corp.)****Notes to Consolidated Financial Statements****September 30, 2014 and 2013***Expressed in Canadian Dollars*

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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)*****Future accounting changes (Continued)***

IAS 32 – Financial Instruments: Presentation (“IAS 32”) was amended by the IASB in December 2011 to clarify certain aspects of the requirements on offsetting. The amendments focus on the criterion that an entity currently has a legally enforceable right to set off the recognized amounts and the criterion that an entity intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. The amendments to IAS 32 are effective for annual periods beginning on or after January 1, 2014.

IAS 36 – Impairments of Assets (“IAS 36”) was amended by the IASB in May 2013 to clarify the requirements to disclose the recoverable amounts of impaired assets and require additional disclosures about the measurement of impaired assets when the recoverable amount is based on fair value less costs of disposal, including the discount rate when a present value technique is used to measure the recoverable amount. The amendments to IAS 36 are effective for annual periods beginning on or after January 1, 2014.

**3. REVERSE TAKE OVER TRANSACTION (“RTO”)**

On January 8, 2013, the Company completed its Qualifying Transaction through the closing of a share exchange agreement dated August 30, 2012 (and subsequently amended October 31, 2012) (the “Agreement”), with 2244182 Ontario Inc. (“2244182”), and all of the shareholders of 2244182 (the “2244182 Shareholders”). Under the terms of the Agreement, the Company acquired all of the issued and outstanding shares of 2244182 from the 2244182 Shareholders in exchange for the issuance of an aggregate of 12,553,450 common shares in the capital of the Company (each, a “Share”). 2244182 held all of the issued and outstanding shares of Emerita Espana (formerly Lorica Gold), and subsequently amalgamated with the Company. In connection with the Qualifying Transaction, the Company completed a non-brokered private placement financing (the “Financing”) of an aggregate of 17,647,500 subscription receipts (each, a “Subscription Receipt”) at a price of \$0.17 per Subscription Receipt for total gross proceeds of \$3,000,075. The Financing closed in two tranches on November 15, 2012 and November 22, 2012, respectively. The Company paid to certain finders an aggregate of \$13,372 in fees and issued 78,073 finder’s warrants, each of which is exercisable into one Share at a price of \$0.20 per Share until one year from the dates of closing of the respective tranches. The fair value of the finder warrants was estimated to be \$3,904 using the Black-Scholes option pricing model with estimated expected volatility of 100%; risk-free interest rate of 1.09%; expected life of 0.85 and 0.87 years respectively; and expected dividend yield of 0%. Upon issuance of the Final Exchange Bulletin approving the Qualifying Transaction, each Subscription Receipt was automatically converted into one Share, for no additional consideration.

Pursuant to a sponsorship agreement (the “Sponsorship Agreement”) dated January 7, 2013, the Company engaged Leede Financial Markets Inc. (“Leede”) to act as sponsor in connection with the Qualifying Transaction. The Company paid a total of \$46,141 to Leede for its sponsorship fee and applicable expenses, and issued Leede 200,000 warrants (the “Sponsor Warrants”), each of which is exercisable into one Share at a price of \$0.20 per Share for a period of twenty-four months from the completion of the Qualifying Transaction. The fair value of the sponsor warrants was estimated to be \$16,000 using the Black-Scholes option pricing model with an estimated expected volatility of 100%; risk-free interest rate of 1.17%; expected life of 2 years; and expected dividend yield of 0%.

Upon the completion of the Qualifying Transaction, an aggregate of 35,312,079 common shares were issued and outstanding, of which 12,553,450 common shares were issued to 2244182 Shareholders, and 17,647,500 shares issued upon the exercise of the Company’s Subscription Receipts. The Shares of the Company commenced trading on the TSX Venture Exchange on January 11, 2013 under the symbol EMO.

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**Emerita Resources Corp. (formerly Emerita Gold Corp.)****Notes to Consolidated Financial Statements****September 30, 2014 and 2013***Expressed in Canadian Dollars*

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**3. REVERSE TAKE OVER TRANSACTION (Continued)**

The acquisition has been accounted for using the purchase method of accounting as a reverse acquisition, whereby for accounting purposes 2244182 acquired Emerita and these consolidated financial statements are a continuity of 2244182. The net assets and liabilities of Emerita as acquired were as follows:

**Purchase Price Consideration Paid**

Estimated fair value of Emerita common shares	\$	868,890
Estimated fair value of Emerita share options		60,000
	\$	<u>928,890</u>

**Net Assets Acquired**

Cash	\$	237,473
Amount receivable net of payable and accrued liabilities		27,854
Excess of purchase price over the estimated fair value of assets acquired		663,563
	\$	<u>928,890</u>

In addition, the Company incurred \$82,119 of professional fees and other regulatory costs in connection with the transaction.

**RTO listing and transaction expenses**

Excess of purchase price over fair value of assets acquired	\$	663,563
Professional fees and other regulatory costs		82,119
	\$	<u>745,682</u>

**4. EQUIPMENT**

	Office Equipment	Office Furniture	Software	Vehicle	Total
Cost as at September 1, 2013	\$ -	\$ -	\$ -	\$ -	\$ -
Additions	16,737	18,253	1,881	13,762	\$ 50,633
<b>Cost as at September 1, 2014</b>	<b>16,737</b>	<b>18,253</b>	<b>1,881</b>	<b>13,762</b>	<b>\$ 50,633</b>
Accumulated amortization as at September 30, 2013	-	-	-	-	\$ -
Charge for the year	6,197	2,770	578	2,751	\$ 12,296
<b>Accumulated amortization as at September 30, 2014</b>	<b>6,197</b>	<b>2,770</b>	<b>578</b>	<b>2,751</b>	<b>\$ 12,296</b>
Net book value as at September 30, 2013	-	-	-	-	\$ -
<b>Net book value as at September 30, 2014</b>	<b>\$ 10,540</b>	<b>\$ 15,483</b>	<b>\$ 1,303</b>	<b>\$ 11,011</b>	<b>\$ 38,337</b>

# Emerita Resources Corp. (formerly Emerita Gold Corp.)

## Notes to Consolidated Financial Statements

September 30, 2014 and 2013

Expressed in Canadian Dollars

### 5. EXPLORATION AND EVALUATION PROPERTIES

	Las Morras Property \$	Peña Encina Property \$	Los Vieros Property \$	Sierra Alta Property \$	Total \$
<b>Balance, September 30, 2013</b>	<b>710,140</b>	<b>24,384</b>	<b>2,657</b>	<b>-</b>	<b>737,181</b>
Cost incurred during the year:					
Land management fees, taxes and permits	63,297	6,273	-	-	69,570
Labour, contract geologists, prospectors	63,916	8,240	-	-	72,156
Field expenses	4,410	554	-	14,122	19,086
Sample analysis	(6,479)	-	-	-	(6,479)
Technical reports	17,842	62,901	-	-	80,743
Travel, meals and accommodations	4,824	702	-	-	5,526
Overhead - Project office Sevilla	43,416	22,094	-	5,469	70,979
Property, plant and equipment reclassification	(33,525)	(14,082)	-	-	(47,607)
Write down	-	-	(2,657)	(19,591)	(22,248)
<b>Balance, September 30, 2014</b>	<b>867,841</b>	<b>111,066</b>	<b>-</b>	<b>-</b>	<b>978,907</b>

	Las Morras Property \$	Peña Encina Property \$	Los Vieros Property \$	Total \$
<b>Balance, September 30, 2012</b>	<b>184,407</b>	<b>-</b>	<b>-</b>	<b>184,407</b>
Cost incurred during the year:				
Land management fees, taxes and permits	37,107	-	-	37,107
Labour, contract geologists and prospectors	79,948	-	-	79,948
Field expenses	84,154	1,370	66	85,590
Sample analysis	33,679	-	-	33,679
Mapping and surveying	11,593	-	-	11,593
Technical report	5,332	12,175	-	17,507
Travel, meals and accommodations	42,114	1,141	1,348	44,603
Trenching	26,095	-	-	26,095
Vehicle and fuel	24,173	-	184	24,357
Legal	12,636	-	-	12,636
Overhead - Project office Sevilla	168,902	9,698	1,059	179,659
<b>Balance, September 30, 2013</b>	<b>710,140</b>	<b>24,384</b>	<b>2,657</b>	<b>737,181</b>

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**Emerita Resources Corp. (formerly Emerita Gold Corp.)****Notes to Consolidated Financial Statements****September 30, 2014 and 2013***Expressed in Canadian Dollars*

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**5. EXPLORATION AND EVALUATION PROPERTIES (Continued)**

The Company has interests in three gold exploration properties. Among the three properties, two being Las Morras and Peña Encina are located in the Extremadura region, Spain, and one being Sierra Alta is 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.

- The original permit for Las Morras Property is comprised of six original exploration permits. The permit for Las Morras will expire on April 17, 2015 but is renewable for an additional three year term. This Property is located in the eastern part of the Badajoz Province. On February 19, 2014, the Company received notice from the Extremadura Regional authorities that five additional permits in the Las Morras Project area in the Extremadura Region have been granted to the Company. Once final notice is published in the regional and national gazette, the Company will have three years in which to work the claims in the areas prior to applying for renewal. The additional permits cover areas of Matillas, La Macheula, El Alandre, Matajarda and Garbayuels.
- The Peña Encina Property is comprised of one exploration permit that will expire on April 18, 2015 but is renewable for an additional three year term. This Property is located in La Codesera District in Spain.
- 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. At the time that the Company receives formal notice that the property has been granted, from that date the concession will have a three year term renewable for an additional three year term. As of September 30, 2014, the Company wrote off the property to \$Nil given the uncertainty of the future development as a result of the formal notice of grant being outstanding.
- The Los Vieros Property is comprised of three exploration permits that will expire on September 25, 2015, November 14, 2015 and November 15, 2015 respectively but are renewable for an additional three year term. The Project was determined to have limited potential based on initial field reviews and the Company intends to relinquish the licenses in favour of focusing on other projects.

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**Emerita Resources Corp. (formerly Emerita Gold Corp.)****Notes to Consolidated Financial Statements****September 30, 2014 and 2013***Expressed in Canadian Dollars*

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**6. COMMON SHARES****Authorized**

At September 30, 2014, the authorized share capital consisted of an unlimited number of common shares without par value.

**Common Shares Issued**

	Number of shares	
	shares	Amount
Balance, September 30, 2012	12,553,450	\$ 355,346
Private placement, net of issuance costs (Note 3)	17,647,500	2,982,799
Shares issued for RTO transaction (Note 3)	5,111,129	868,890
Shares issued from options exercised	500,000	50,000
Fair value allocation from options exercised	-	60,000
Balance, September 30, 2013	35,812,079	\$ 4,317,035
Private placement, net of issuance costs (i)	12,275,750	1,219,791
Balance, September 30, 2014	48,087,829	\$ 5,536,826

(i) On August 19, 2014, the Company completed a non-brokered private placement financing by issuing 12,275,750 common shares at a price of \$0.10 per common share for gross proceeds of \$1,227,575.

**Escrow Shares**

The Company had 2,000,000 common shares that were issued and held into escrow immediately prior to completing the Qualifying Transaction, of which, 10% were released pro-rata to the holders of the escrowed shares upon the issuance of notice of final acceptance of the Qualifying Transaction by the TSX Venture Exchange, 15% were released on July 8, 2013, 15% were released on January 8, 2014, 15% were released on July 8, 2014 and 15% were released on January 8, 2015. The remainder of these escrow shares will be released in equal tranches of 15% every six months thereafter until the date that is 30 months following the date of issuance of the Final Exchange Bulletin. As of September 30, 2014, 900,000 common shares remained in escrow.

In connection with the Qualifying Transaction, 10,764,706 shares were deposited into escrow at closing (the "Value Escrow Shares"), of which 10% of the Value Escrow Shares were released upon the date of issuance of the Final Exchange Bulletin, 15% were released on July 8, 2013, 15% were released on January 8, 2014, 15% were released on July 8, 2014 and 15% were released on January 8, 2015. The remainder of the Value Escrow Shares will be released every 6 months until all Value Escrow Shares have been released (36 months following the date of issuance of the Final Exchange Bulletin). As of September 30, 2014, 4,844,117 shares remained in escrow.

These escrowed shares may not be transferred, assigned or otherwise dealt without the consent of the regulatory authorities.

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**Emerita Resources Corp. (formerly Emerita Gold Corp.)****Notes to Consolidated Financial Statements****September 30, 2014 and 2013***Expressed in Canadian Dollars*

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**7. EQUITY RESERVES****Warrants**

The changes in warrants issued during the years ended September 30, 2014 and 2013 are as follows:

	Number of warrants	Weighted average exercise price	Value of warrants
Balance, September 30, 2012	-	\$ -	\$ -
Granted (Note 3)	278,073	0.20	19,904
Balance, September 30, 2013	278,073	\$ 0.20	\$ 19,904
Expired	(78,073)	0.20	(3,904)
Balance, September 30, 2014	200,000	\$ 0.20	\$ 16,000

The following summarizes the warrants outstanding as of September 30, 2014.

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
3,000,000	3,000,000	10-Jan-13	10-Jan-16	\$0.20	300,000	100%	1.24%	3.00	0%
560,000	560,000	28-Aug-13	28-Aug-16	\$0.10	17,069	100%	1.32%	3.00	0%
3,560,000	3,560,000				317,069				

The weighted average remaining contractual life of the warrants as of September 30, 2014 is 0.28 years (2013 – 0.96 years).

**Share-based payments**

The changes in stock options issued during the years ended September 30, 2014 and 2013 are as follows:

	Number of options	Weighted average exercise price	Value of options
Balance, September 30, 2012	-	\$ -	\$ -
Options granted pursuant to RTO (Note 3)	500,000	0.10	60,000
Granted and vested	3,560,000	0.18	314,069
Exercised	(500,000)	(0.10)	(60,000)
Balance, September 30, 2013	3,560,000	\$ 0.18	\$ 314,069
Vested	-	-	3,000
Balance, September 30, 2014	3,560,000	\$ 0.18	\$ 317,069

Upon the completion of the Qualifying Transaction, the Company granted an aggregate of 3,000,000 incentive stock options to directors, officers and consultants of the Company. Each of these options is exercisable into one share for a period of three years at a price of \$0.20 per share. These options vest immediately. The fair value of the options was estimated to be \$300,000 using the Black-Scholes option pricing model with estimated expected volatility at 100%; risk-free interest rate at 1.24%; expected life at 3 years; and expected dividend yield at 0%.

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**Emerita Resources Corp. (formerly Emerita Gold Corp.)****Notes to Consolidated Financial Statements****September 30, 2014 and 2013***Expressed in Canadian Dollars*

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**7. EQUITY RESERVES (Continued)****Share-based payments (Continued)**

On August 28, 2013, the Company granted an aggregate of 560,000 incentive stock options to directors and consultants of the Company. Each of these options is exercisable into one share for a period of three years at a price of \$0.10 per share. These options vest immediately with the exception of 100,000 stock options granted to a person providing investor relations services to the Company, which, in accordance with the policies of the TSX Venture Exchange, vest in 4 equal amounts on a quarterly basis over 12 months. The estimated fair value of these options was estimated to be \$17,069 using the Black-Scholes option pricing model with estimated expected volatility at 100%; risk-free interest rate at 1.32%; expected life at 3 years; and expected dividend yield at 0%.

The following summarizes the share-based payments arrangement outstanding as of September 30, 2014.

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
3,000,000	3,000,000	10-Jan-13	10-Jan-16	\$0.20	300,000	100%	1.24%	3.00	0%
560,000	560,000	28-Aug-13	28-Aug-16	\$0.10	17,069	100%	1.32%	3.00	0%
3,560,000	3,560,000				317,069				

The weighted average remaining contractual life of the options as of September 30, 2014 is 1.38 years (2013 - 2.38 years).

**8. 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 years ended September 30, 2014 and 2013.

The Company and its subsidiaries are not currently subject to externally imposed capital requirements.

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**Emerita Resources Corp. (formerly Emerita Gold Corp.)****Notes to Consolidated Financial Statements****September 30, 2014 and 2013***Expressed in Canadian Dollars*

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**9. 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 September 30, 2014 and 2013, 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, US dollars and British Pound from operations. Fluctuations in the exchange rates between these currencies and the Canadian dollar could have a material effect on the Company's business, financial condition and results of operations. The Company does not engage in any hedging activity to mitigate this risk.

As at September 30, 2014 and 2013, the Company had the following financial instruments denominated in foreign currencies (expressed in Canadian dollars):



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**Emerita Resources Corp. (formerly Emerita Gold Corp.)****Notes to Consolidated Financial Statements****September 30, 2014 and 2013***Expressed in Canadian Dollars*

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**9. FINANCIAL INSTRUMENTS (Continued)**

<b>September 30, 2014</b>			
	<b>Euro</b>	<b>US dollars</b>	<b>British Pound</b>
Cash	\$ 968,985	\$ 2,065	\$ -
Amounts receivable	42,445	-	-
Accounts payable and accrued liabilities	(117,712)	(19,600)	-
	<b>\$ 893,718</b>	<b>\$ (17,535)</b>	<b>\$ -</b>

<b>September 30, 2013</b>			
	<b>Euro</b>	<b>US dollars</b>	<b>British Pound</b>
Cash	\$ 41,442	\$ 6,407	\$ -
Amounts receivable	50,070	-	-
Accounts payable and accrued liabilities	(73,455)	(18,030)	(11,181)
	<b>\$ 18,057</b>	<b>\$ (11,623)</b>	<b>\$ (11,181)</b>

A 1% strengthening (weakening) of the Canadian dollar against the Euro, US dollar and British Pound would decrease (increase) net loss by approximately \$9,000 (2013 - \$180), \$170 (2013- \$116) and \$nil (2013- \$112), 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. As at September 30, 2014, the Company had a cash balance of \$1,024,697 (September 30, 2013 - \$1,712,915) to settle current liabilities of \$342,187 (September 30, 2013 - \$165,289).

(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. (formerly Emerita Gold Corp.)****Notes to Consolidated Financial Statements****September 30, 2014 and 2013***Expressed in Canadian Dollars*

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**10. RELATED PARTY TRANSACTIONS**

During the years ended September 30, 2014 and 2013, the Company entered into the following transactions with related parties. The Company reimbursed the salary costs for the services of a field geologist employed by Coastal Gold Corp. The Company paid administration fees to Squall Capital Corp.

	Purchases of goods and services	
	Years ended September 30	
	2014	2013
Coastal Gold Corp.	\$ -	\$ 14,505
Squall Capital Corp.	\$ -	\$ 10,049
	<u>\$ -</u>	<u>\$ 24,554</u>

Directors and officers of the Company, David Gower, Greg Duras and Josh Van Deurzen, are directors and officers of Coastal Gold Corp.

A director of the Company, Colin Watt, is a director of Squall Capital Corp.

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 September 30, 2014, amounts of \$39,600 included in accounts payable and accrued liabilities were owed to directors and officers of the Company (2013 - \$36,565). 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 years ended September 30, 2014 and 2013, the remuneration of directors and other members of key management personnel are as follows:

	Years ended Sep 30,	
	2014	2013
Short-term benefits	\$ 497,163	\$ 409,986
Share-based payments	-	246,000
	<u>\$ 497,163</u>	<u>\$ 655,986</u>

In connection with the August 19, 2014 placement (see Note 6(i)), officers and directors of the Company subscribed for 750,000 common shares of the Company for a total proceeds of \$75,000.

During the year ended September 30, 2013, 250,000 stock options were exercised by directors of the Company at \$0.10 per share.

In connection with the November 2012 private placement (see Note 3), officers and directors of the Company subscribed for 605,294 subscription receipts for total proceeds of \$102,900.

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**11. INCOME TAXES**

Major items causing the Company's effective income tax rate to differ from the combined Canadian federal and provincial statutory rate of 26.50% (2013 – 26.50%) were as follows:

	2014	2013
	\$	\$
(Loss) before income taxes	(1,730,024)	(2,033,059)
Expected income tax recovery based on statutory rate	(458,000)	(539,000)
Adjustment to expected income tax benefit:		
Share based payments	1,000	83,000
Expenses not deductible for tax purposes	19,000	159,000
Change in foreign exchange rates	(15,000)	(4,000)
Other	(188,000)	(38,000)
Unrecognized deferred income tax benefits	641,000	339,000
Deferred income tax provision	-	-

Deferred income tax assets have not been recognized in respect of the following deductible temporary differences:

	2014	2013
	\$	\$
Non-capital loss carry-forwards	3,667,000	1,229,000
Share issue costs	31,000	51,000
Other	141,000	141,000
Total	3,839,000	1,421,000

Non-capital losses of \$2,055,000 in Canada expire between 2029 and 2034. Non-capital losses of Euro 1,139,000 (\$1,612,000) in Spain expire between 2030 and 2032. The potential future benefit of these losses has not been recognized in the consolidated financial statements because it is not probable that future taxable profit will be available against which the Company can use the benefits.

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**Emerita Resources Corp. (formerly Emerita Gold Corp.)****Notes to Consolidated Financial Statements****September 30, 2014 and 2013***Expressed in Canadian Dollars*

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**12. SEGMENT INFORMATION**

The Company conducts its business as a single operating segment, being mineral exploration and evaluation in Spain. At September 30, 2014 and 2013, all exploration and evaluation assets were located in Spain. The following tables summarize the total assets and liabilities by geographic segment as at September 30, 2014 and September 30, 2013:

<b>September 30, 2014</b>	<b>Spain</b>	<b>Canada</b>	<b>Total</b>
Cash	\$ 968,985	\$ 55,712	\$ 1,024,697
Other current assets	101,136	69,439	170,575
Reclamation deposit	26,183	-	26,183
Property, plant and equipment	38,337	-	38,337
Exploration and evaluation properties	978,907	-	978,907
<b>Total Assets</b>	<b>\$ 2,113,548</b>	<b>\$ 125,151</b>	<b>\$ 2,238,699</b>

Accounts payable and accrued liabilities	\$ 117,712	\$ 224,475	\$ 342,187
<b>Total liabilities</b>	<b>\$ 117,712</b>	<b>\$ 224,475</b>	<b>\$ 342,187</b>

<b>September 30, 2013</b>	<b>Spain</b>	<b>Canada</b>	<b>Total</b>
Cash and cash equivalents	\$ 48,682	\$ 1,664,233	\$ 1,712,915
Other current assets	55,541	40,278	95,819
Reclamation deposit	23,119	-	23,119
Exploration and evaluation properties	737,181	-	737,181
<b>Total Assets</b>	<b>\$ 864,523</b>	<b>\$ 1,704,511</b>	<b>\$ 2,569,034</b>

Accounts payable and accrued liabilities	\$ 73,455	\$ 91,834	\$ 165,289
<b>Total liabilities</b>	<b>\$ 73,455</b>	<b>\$ 91,834</b>	<b>\$ 165,289</b>

The following tables summarize the loss by geographic segment for the years ended September 30, 2014 and 2013:

<b>September 30, 2014</b>	<b>Spain</b>	<b>Canada</b>	<b>Total</b>
Interest income	\$ -	\$ (6,370)	\$ (6,370)
Project evaluation expenses	646,152	1,217	647,369
General and administrative expenses	-	1,058,385	1,058,385
Foreign exchange (gain) loss	30,640	-	30,640
<b>Loss</b>	<b>\$ 676,792</b>	<b>\$ 1,053,232</b>	<b>\$ 1,730,024</b>

<b>September 30, 2013</b>	<b>Spain</b>	<b>Canada</b>	<b>Total</b>
Interest income	\$ (54)	\$ (22,240)	\$ (22,294)
Project evaluation expenses	173,867	-	173,867
General and administrative expenses	-	1,876,662	1,876,662
Foreign exchange loss	14,379	(9,555)	4,824
<b>Loss</b>	<b>\$ 188,192</b>	<b>\$ 1,844,867</b>	<b>\$ 2,033,059</b>

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**Emerita Resources Corp. (formerly Emerita Gold Corp.)****Notes to Consolidated Financial Statements****September 30, 2014 and 2013***Expressed in Canadian Dollars*

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**13. 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 (2013 - \$300,000) and additional contingent payments of up to approximately \$1,120,000 (2013 - \$1,100,000) upon the occurrence of a change of control. As a triggering event has not taken place, the contingent payments have not been reflected in these consolidated financial statements.

The Company is party to a shared costs services agreement, which expires on January 31, 2015. The remaining commitment to January 31, 2015 is \$30,000 as of September 30, 2014.

**14. Subsequent event**

On January 15, 2015, 200,000 warrants expired.