



(formerly Emerita Gold Corp.)

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**Condensed Interim Consolidated Financial Statements**

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**For the three and nine months ended June 30, 2014**

**(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.

**Emerita Resources Corp. (formerly Emerita Gold Corp.)**  
**Condensed Interim Consolidated Statements of Financial Position**  
**(Unaudited)**

*Expressed in Canadian Dollars*

	Note	June 30, 2014	September 30, 2013
		\$	\$
<b>ASSETS</b>			
Current			
Cash and cash equivalents		83,481	1,712,915
Amounts receivable		144,821	85,661
Prepaid expenses and advances		16,666	10,158
<b>Total current assets</b>		<b>244,968</b>	<b>1,808,734</b>
Long-term			
Reclamation deposit		23,119	23,119
Property, plant and equipment		40,563	-
Exploration and evaluation properties	3	1,160,039	737,181
<b>Total assets</b>		<b>1,468,689</b>	<b>2,569,034</b>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable and accrued liabilities	8, 9	207,160	165,289
<b>Total liabilities</b>		<b>207,160</b>	<b>165,289</b>
<b>SHARHDOLDERS' EQUITY</b>			
Common shares	4	4,317,035	4,317,035
Warrant reserve	5	16,000	19,904
Option reserve	5	317,069	314,069
Deficit		(3,388,575)	(2,247,263)
<b>Total shareholder's equity</b>		<b>1,261,529</b>	<b>2,403,745</b>
<b>Total liabilities and shareholders' equity</b>		<b>1,468,689</b>	<b>2,569,034</b>
Nature of operations and going concern	1	-	
Commitments and contingencies	10		
Subsequent event	11		

Approved on behalf of the Board:

Signed: "Catherine Stretch", Director

Signed: "David Gower", Director

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

**Emerita Resources Corp. (formerly Emerita Gold Corp.)**  
**Condensed Interim Consolidated Statements of Loss and Comprehensive Loss**  
**(Unaudited)**

*Expressed in Canadian Dollars*

	Note	Three months ended		Nine months ended	
		June 30,		June 30,	
		2014	2013	2014	2013
		\$	\$	\$	\$
<b>Expenses</b>					
Project evaluation expenses		116,947	-	400,732	-
Consulting and management fees		180,015	171,471	516,209	408,249
Professional fees		10,652	10,406	33,725	51,446
Shareholders communications and filing fees		25,351	36,333	109,519	65,976
Travel expenses		4,067	912	72,406	38,169
Office expenses		20,553	14,564	82,713	28,051
RTO listing and transaction expenses		-	-	-	745,682
Share-based payments	5	926	-	3,000	300,000
<b>Loss for the period before other items</b>		<b>(358,511)</b>	<b>(233,686)</b>	<b>(1,218,304)</b>	<b>(1,637,573)</b>
<b>Other items</b>					
Interest income		8	7,483	6,733	16,745
Foreign exchange (loss)/gain		2,008	(14,855)	66,355	(2,674)
<b>Loss and comprehensive loss for the period</b>		<b>(356,495)</b>	<b>(241,058)</b>	<b>(1,145,216)</b>	<b>(1,623,502)</b>
<b>Basic and diluted loss earnings per share</b>		<b>(0.01)</b>	<b>(0.01)</b>	<b>(0.03)</b>	<b>(0.04)</b>
<b>Weighted average number of common shares outstanding</b>					
Basic		35,812,079	35,762,628	35,812,079	37,203,773

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

**Emerita Resources Corp. (formerly Emerita Gold Corp.)**  
**Condensed Interim Consolidated Statements of Cash Flows**  
**(Unaudited)**

*Expressed in Canadian Dollars*

		Nine months ended June 30,	
	Note	2014 \$	2013 \$
<b>CASH (USED IN) PROVIDED BY:</b>			
<b>OPERATING ACTIVITIES:</b>			
(Loss) for the period		(1,145,216)	(1,623,502)
Items not involving cash:			
Share-based payments	5	3,000	300,000
Excess of purchase price over fair value of assets acquired		-	663,563
Sponsor warrants issued		-	16,000
Unrealized foreign exchange loss		2,229	-
Working capital adjustments:			
Changes in amounts receivable		(70,518)	24,914
Changes in prepaid expenses and advances		(7,160)	(20,565)
Changes in accounts payable and accrued liabilities		51,428	(48,253)
<b>Net cash used in operating activities</b>		<b>(1,166,237)</b>	<b>(687,843)</b>
<b>INVESTING ACTIVITIES:</b>			
Exploration and evaluation properties, net of working capital and PP&E reclassification		(458,010)	(489,236)
Property, plant and equipment, net additions		(2,958)	-
<b>Net cash used in investing activities</b>		<b>(460,968)</b>	<b>(489,236)</b>
<b>FINANCING ACTIVITIES:</b>			
Proceeds from private placement		-	3,000,075
Shares issued from exercise of options		-	50,000
Cost of issue		-	(13,372)
Cash from RTO		-	237,473
<b>Net cash generated from financing activities</b>		<b>-</b>	<b>3,274,176</b>
Effect of exchange rate changes on cash and cash equivalents		(2,229)	-
<b>CHANGE IN CASH AND CASH EQUIVALENTS, during the period</b>		<b>(1,629,434)</b>	<b>2,097,097</b>
<b>CASH AND CASH EQUIVALENTS, beginning of period</b>		<b>1,712,915</b>	<b>22,563</b>
<b>CASH AND CASH EQUIVALENTS, end of period</b>		<b>83,481</b>	<b>2,119,660</b>
<b>Cash and cash equivalent consists of:</b>			
Cash		83,481	-
Cash equivalents		-	-
		<b>83,481</b>	<b>-</b>
<b>SUPPLEMENTAL INFORMATION</b>			
Change in non-cash working capital relating to financing activities		27,854	-
Change in non-cash working capital for exploration and evaluation properties		2,452	23,882
Non cash property, plant and equipment		(47,674)	-
Amortization included in exploration and evaluation properties		8,124	-

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

**Emerita Gold 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 FV on options exercised	-	32,332		(32,332)	-	-
Sponsor warrants	-	-	16,000	-	-	16,000
Share-based payment expenses	-	-	-	300,000	-	300,000
Exploration and evaluation properties						
adjusted from prior year deficit	-	-	-	-	25,589	25,589
Loss and comprehensive loss for the period	-	-	-	-	(1,623,502)	(1,623,502)
<b>Balance, June 30, 2013</b>	<b>35,812,079</b>	<b>4,289,367</b>	<b>19,904</b>	<b>327,668</b>	<b>(1,812,117)</b>	<b>2,824,822</b>
<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>
Warrants expired unexercised	-	-	(3,904)	-	3,904	-
Share-based payments	-	-	-	3,000	-	3,000
Loss and comprehensive loss for the period	-	-	-	-	(1,145,216)	(1,145,216)
<b>Balance, June 30, 2014</b>	<b>35,812,079</b>	<b>4,317,035</b>	<b>16,000</b>	<b>317,069</b>	<b>(3,388,575)</b>	<b>1,261,529</b>

The accompanying notes are an integral part of these financial statements

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

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

**June 30, 2014**

**(Unaudited)**

*Expressed in Canadian Dollars*

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

Emerita Resources Corp. (formerly Emerita Gold Corp., and Fuller Capital Corp.) (the “Company”, or “Emerita”) was incorporated on October 30, 2009 as 0865140 BC LTD. pursuant to the Business Corporations Act of 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 a new trading symbol “EMO”. The Company has wholly owned Subsidiaries, 7854811 Canada Inc. (inactive), 2244182 Ontario Inc., amalgamated with Emerita (“2244182”) which owns Emerita Gold Espana (formerly Lorica 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 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.

These condensed interim 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.

### **2. BASIS OF PREPARATION**

#### ***Statement of compliance***

These condensed interim consolidated financial statements are unaudited and prepared on a condensed basis in accordance with the International Accounting Standards (“IAS”) 34, *Interim Financial Reporting* using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).



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**Emerita Resources Corp. (formerly Emerita Gold Corp.)****Notes to Condensed Interim Consolidated Financial Statements****June 30, 2014****(Unaudited)***Expressed in Canadian Dollars*

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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)*****Basis of presentation***

These condensed interim consolidated financial statements have been prepared in accordance with the accounting policies described in Note 2 of the Annual Consolidated Financial Statements as at and for the year ended September 30, 2013. Accordingly, these condensed interim consolidated statements for the periods ended June 30, 2014 should be read together with the Annual Consolidated Financial Statements as at and for the year-ended September 30, 2013.

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 and all values are rounded to the nearest dollar.

The preparation of interim financial statements in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

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 condensed interim consolidated financial statements***

These condensed interim consolidated financial statements of the Company for the three and nine months ended June 30, 2014 were reviewed, approved and authorized for issue by the Board of Directors of the Company on August 28, 2014.

**3. EXPLORATION AND EVALUATION PROPERTIES**

	<b>Las Morras Property \$</b>	<b>Peña Encina Property \$</b>	<b>Los Vieros Property \$</b>	<b>Sierra Alta Property \$</b>	<b>Total \$</b>
<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 period:	-	-	-	-	-
Land management fees, taxes and permits	55,342	6,532	-	3,234	65,108
Labour, contract geologists, prospectors	123,227	8,240	-	-	131,467
Field expenses	1,108	4	-	-	1,112
Sample analysis	1,934	-	-	-	1,934
Travel, meals and accommodations	8,238	1,134	-	1,847	11,219
Vehicle and fuel	3,923	267	-	374	4,564
Overhead - Project office Sevilla	122,307	89,816	1,663	9,442	223,228
Adjustment from prior period	(73,182)	56,923	-	(1,559)	(17,818)
Write down	-	-	(4,320)	-	(4,320)
<b>Balance, June 30, 2014</b>	<b>956,622</b>	<b>187,542</b>	<b>-</b>	<b>15,875</b>	<b>1,160,039</b>

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**Emerita Resources Corp. (formerly Emerita Gold Corp.)****Notes to Condensed Interim Consolidated Financial Statements****June 30, 2014****(Unaudited)***Expressed in Canadian Dollars*

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

	Las Morras Property \$	Peña Encina Property \$	Los Vieros Property \$	Total \$
<b>Balance, September 30, 2012</b>	<b>184,407</b>	-	-	<b>184,407</b>
Cost incurred during the year:				
Land management fees, taxes and permits	37,107	-	-	37,107
Labour, contract geologists, prospectors	83,098	-	-	83,098
Field expenses	81,004	1,370	66	82,440
Sample analysis	33,679	-	-	33,679
Mapping and surveying	11,593	-	-	11,593
Technical reports	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>

The Company has interests in four gold exploration properties. Among the four properties, three (being Las Morras, Peña Encina and Los Vieros) 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 regional authorities respectively.

- The original Las Morras Property is comprised of six original exploration permits. The permit in 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. 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.
- 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. This Property is located in the western part of the Caceres Province. The Company intends to relinquish the license associated with the property and has taken a full write down of the exploration expenditures in the amount of \$4,320 to the consolidated statement of loss.
- The Sierra Alta property consists of 90 mining claims covering 2,500 hectares in the Asturias region in northwestern Spain. The licenses are valid for an initial three year period with an option for the Company to renew the licenses following the expiry of the initial period.

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**Emerita Resources Corp. (formerly Emerita Gold Corp.)****Notes to Condensed Interim Consolidated Financial Statements****June 30, 2014****(Unaudited)***Expressed in Canadian Dollars*

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**4. COMMON SHARES****Authorized**

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

**Common Shares Issued**

	Number of shares		Amount
	shares		
Balance, September 30, 2012	12,553,450	\$	355,346
Private placement, net of issuance costs	17,647,500		2,982,799
Shares issued for RTO transaction	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 and June 30, 2014	35,812,079	\$	4,317,035

**Escrow Shares**

The Company had 2,000,000 common shares that were issued and held in escrow immediately prior to completing the Qualifying Transaction, of which, 10% were released pro-rata to the shareholders upon the issuance of notice of final acceptance of the Qualifying Transaction by the TSX Venture Exchange, 15% were released on July 8, 2013. The remainder of these escrow shares will be released in five equal tranches of 15% every six months thereafter for a period of 36 months. As of June 30, 2014, 1,200,000 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 and an additional 15% of the Value Escrow Shares are to be released every 6 months thereafter, until all Value Escrow Shares have been released (36 months following the date of issuance of the Final Exchange Bulletin). As of June 30, 2014, 6,458,824 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 Condensed Interim Consolidated Financial Statements****June 30, 2014****(Unaudited)***Expressed in Canadian Dollars*

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**5. EQUITY RESERVES****Warrants**

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

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

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

Number outstanding #	Number exercisable #	Grant date	Expiry date	Exercise price \$	Grant date fair value \$	Expected volatility	Risk-free interest rate	Expected life (Yrs) #	Expected dividend yield
200,000	200,000	10-Jan-13	10-Jan-15	\$0.20	16,000	100%	1.17%	2.00	0%
200,000	200,000				16,000				

The weighted average remaining contractual life of the warrants as of June 30, 2014 is 0.53 years.

**Share-based payments**

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

	Number of options	Weighted average exercise price	Value of options
Balance, September 30, 2012	-	\$ -	\$ -
Options granted pursuant to RTO	500,000	0.10	60,000
Granted and vested	3,560,000	0.18	316,782
Exercised	(500,000)	(0.10)	(60,000)
Balance, September 30, 2013 and June 30, 2014	3,560,000	\$ 0.18	\$ 316,782

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 were estimated to be \$300,000 using the Black-Scholes option pricing model with estimated expected volatility of 100%; risk-free interest rate of 1.24%; expected life of 3 years; and expected dividend yield of 0%.

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**Emerita Resources Corp. (formerly Emerita Gold Corp.)****Notes to Condensed Interim Consolidated Financial Statements****June 30, 2014****(Unaudited)***Expressed in Canadian Dollars*

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**5. EQUITY RESERVES (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, which vest in 4 equal amounts on a quarterly basis over 12 months with a fair value of \$15,043 using the Black-Scholes option pricing model with estimated expected volatility of 100%; risk-free interest rate of 1.32%; expected life of 3 years; and expected dividend yield of 0%.

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

Number outstanding #	Number exercisable #	Grant date	Expiry date	Exercise price \$	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	510,000	28-Aug-13	28-Aug-16	\$0.10	16,143	100%	1.32%	3.00	0%
3,560,000	3,510,000				316,143				

The weighted average remaining contractual life of the options as of June 30, 2014 is 1.62 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 three and nine months ended June 30, 2014.

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 Condensed Interim Consolidated Financial Statements****June 30, 2014****(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 cash equivalent, reclamation deposit, amounts receivable, accounts payable and accrued liabilities.

As at June 30, 2014, the Company's cash equivalents are classified as assets at fair value through profit and loss, and have been classified as Level 2 financial instruments.

The carrying values of these financial instruments reported in the condensed interim statement of financial position approximate their respective fair values due to the relatively short-term nature of these instruments.

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 and cash equivalents*

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. (formerly Emerita Gold Corp.)****Notes to Condensed Interim Consolidated Financial Statements****June 30, 2014****(Unaudited)***Expressed in Canadian Dollars*

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**7. FINANCIAL INSTRUMENTS (Continued)****(b) Currency risk**

As at September 30, 2013 and June 30, 2014, the Company had the following financial instruments and denominated in foreign currency:

	<b>June 30, 2014</b>		
	<b>Euro</b>	<b>US dollars</b>	<b>British Pound</b>
Cash	\$ 45,442	\$ 1,968	\$ -
Amounts receivable	102,340	-	-
Accounts payable and accrued liabilities	(63,898)	-	-
	<b>\$ 83,884</b>	<b>\$ 1,968</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 dollars and British Pound would decrease (increase) net loss by approximately \$450, \$20 and \$Nil (September 30, 2013 - \$180, 116 and \$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 June 30, 2014, the Company had a cash balance of \$83,481 (September 30, 2013 - \$1,712,915) to settle current liabilities of \$207,160 (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 metals, 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 Condensed Interim Consolidated Financial Statements****June 30, 2014****(Unaudited)***Expressed in Canadian Dollars*

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**8. RELATED PARTY TRANSACTIONS**

During the three and nine months ended June 30, 2014 and 2013, the Company entered into the following transaction in the ordinary course of business with related parties.

	Purchases of goods and services			
	Three months ended June 30		Nine months ended June 30	
	2014	2013	2014	2013
Coastal Gold Corp.	\$ -	\$ -	\$ -	\$ 14,505
	\$ -	\$ -	\$ -	\$ 14,505

	Amount due from related parties as at	
	June 30	September 30
	2014	2013
Pitchblack Resources Ltd.	\$ 420	\$ -

The Company reimbursed \$Nil salary costs for the services of a field geologist employed by Coastal Gold Corp during the three and nine months ended June 30, 2014 (2013 - \$14,505). The Company also recovered training and educational costs paid on behalf of Coastal Gold Corp. and Pitchblack Resources Ltd. As at June 30, 2014, \$420 were due from the related parties (September 31, 2013 - \$Nil).

A director and officers of the Company, David Gower, Greg Duras and Josh Van Deurzen, are director and officers of Coastal Gold Corp. Officers of the Company, Josh Van Deurzen and Greg Duras, are a director and officers of Pitchblack Resources Ltd.

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, 2014, an amount of \$12,975 included in accounts payable, were owed to directors and officers of the Company (September 30, 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 three and nine months ended June 30, 2014 and 2013, the remuneration of directors and other members of key management personnel are as follows:

	Three months ended June 30		Nine months ended June 30	
	2014	2013	2014	2013
Short-term benefits	\$ 123,472	\$ 120,182	\$ 376,720	\$ 279,749
Share-based payments	-	-	-	240,000
	\$ 123,472	\$ 120,182	\$ 376,720	\$ 519,749



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**Emerita Resources Corp. (formerly Emerita Gold Corp.)****Notes to Condensed Interim Consolidated Financial Statements****June 30, 2014****(Unaudited)***Expressed in Canadian Dollars*

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**8. RELATED PARTY TRANSACTIONS (continued)**

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

**9. SEGMENT INFORMATION**

The Company conducts its business as a single operating segment, being mineral exploration and evaluation in Spain. At June 30, 2014 and September 30, 2013, 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, 2014 and September 30, 2013:

<b>June 30, 2014</b>	<b>Spain</b>	<b>Canada</b>	<b>Total</b>
Cash and cash equivalents	\$ 45,442	\$ 38,039	\$ 83,481
Other current assets	99,968	61,519	161,487
Reclamation deposit	23,119	-	23,119
Property, plant and equipment	40,563	-	40,563
Exploration and evaluation properties	1,159,453	-	1,159,453
<b>Total Assets</b>	<b>\$ 1,368,545</b>	<b>\$ 99,558</b>	<b>\$ 1,468,103</b>
Accounts payable and accrued liabilities	\$ 63,898	\$ 143,262	\$ 207,160
<b>Total liabilities</b>	<b>\$ 63,898</b>	<b>\$ 143,262</b>	<b>\$ 207,160</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 nine months ended June 30, 2014 and 2013:

<b>June 30, 2014</b>	<b>Spain</b>	<b>Canada</b>	<b>Total</b>
Interest income	\$ -	\$ (6,733)	\$ (6,733)
Project evaluation expenses	283,785	1,217	285,002
General and administrative expenses	-	817,572	817,572
Foreign exchange (gain) loss	58,957	(8,996)	49,961
<b>Loss</b>	<b>\$ 342,742</b>	<b>\$ 803,060</b>	<b>\$ 1,145,802</b>

<b>June 30, 2013</b>	<b>Spain</b>	<b>Canada</b>	<b>Total</b>
Interest income	\$ (153)	\$ (16,592)	\$ (16,745)
General and administrative expenses	-	1,637,573	1,637,573
Foreign exchange (gain) loss	6,550	(3,876)	2,674
<b>Loss</b>	<b>\$ 6,397</b>	<b>\$ 1,617,105</b>	<b>\$ 1,623,502</b>

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**Emerita Resources Corp. (formerly Emerita Gold Corp.)****Notes to Condensed Interim Consolidated Financial Statements****June 30, 2014****(Unaudited)***Expressed in Canadian Dollars*

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**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 (2013 - \$300,000) and additional contingent payments of up to approximately \$1,130,000 (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 maximum amount owed on early termination as of June 30, 2014 is \$67,500.

**11. SUBSEQUENT EVENT**

On August 19, 2014, the Company announced it 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. The Common Shares are subject to a hold period of four months and one day expiring on December 19, 2014.

Pursuant to the Offering, Millennium Insurance Company Limited, part of the Morera & Vallejo Business Group ("M&V"), purchased 4,396,500 Common Shares for a total purchase price of \$439,650, AGQ Labs & Technological Services ("AGQ") purchased 3,663,750 Common Shares for a total purchase price of \$366,375 and members of the management teams of Forbes & Manhattan, Inc. ("Forbes & Manhattan") and Emerita purchased collectively 2,750,000 Common Shares for a total purchase price of \$275,000.