EMERITA
RESOURCES CORP.

Consolidated Financial Statements

For the years ended September 30, 2017 and 2016

(Expressed in Canadian Dollars)

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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, 2017 and 2016, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows 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, 2017 and 2016, 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 Emerita Resources Corp. had continuing losses during the year ended September 30, 2017 and a working capital deficit as at September 30, 2017. These conditions along with other matters set forth in Note 1 indicate the existence of a material uncertainty that may cast significant doubt about Emerita Resources Corp.'s ability to continue as a going concern.

UHY McGovern Hurley LLP

UHY McGovern Hurley LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
January 18, 2018

Emerita Resources Corp.
Consolidated Statements of Financial Position
Expressed in Canadian Dollars

As at:	Note	**September 30, 2017 $**	September 30, 2016 $
ASSETS			
Current			
Cash		**518,719**	306,773
Amounts receivable		**109,003**	114,950
Prepaid expenses		**28,912**	53,083
Total current assets		**656,634**	474,806
Long-term			
Reclamation deposit		**16,952**	16,952
Equipment	3	**13,585**	20,689
Exploration and evaluation properties	4	**477,494**	1,125,884
Total assets		**1,164,665**	1,638,331
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	8,9	**2,116,818**	1,482,211
Total liabilities		**2,116,818**	1,482,211
SHAREHOLDERS' EQUITY			
Common shares	5	**8,523,762**	6,950,482
Warrants reserve	6	**227,950**	425,336
Option reserve	6	**354,000**	328,000
Deficit		**(10,057,865)**	(7,547,698)
Total shareholders' (deficiency)/equity		**(952,153)**	156,120
Total liabilities and shareholders' equity		**1,164,665**	1,638,331

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Approved on behalf of the Board of Directors on January 18, 2018:

Signed: *“Catherine Stretch”*, Director

Signed: *“David Gower”*, Director

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

Emerita Resources Corp.
Consolidated Statements of Loss and Comprehensive Loss
Expressed in Canadian Dollars

	Note	Year ended September 30, 2017 $	2016 $
Expenses			
Project evaluation expenses		**474,866**	465,691
Consulting and management fees		**947,479**	595,784
Professional fees		**112,242**	17,311
Shareholder communications and filing fees		**40,147**	58,262
Promotion		**12,994**	2,873
Travel expenses		**26,670**	32,100
Office expenses		**85,799**	23,998
Share-based compensation	6	**57,500**	328,000
Loss for the year before other items		**(1,757,697)**	(1,524,019)
Other items			
Exploration and evaluation property writeoff	4	**(756,847)**	-
Interest income		**423**	98
Foreign exchange (loss)/gain		**(8,852)**	2,927
Loss and comprehensive loss for the year		**(2,522,973)**	(1,520,994)
Basic and diluted loss per share		**$ (0.03)**	$ (0.02)
Weighted average number of common shares outstanding			
Basic and Diluted		**90,218,656**	69,715,206

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

Emerita Resources Corp.

Consolidated Statements of Changes in Shareholders' Equity

Expressed in Canadian Dollars

	Number of shares	Common Shares	Warrant Reserve	Option Reserve	Deficit	Shareholder's equity/(deficiency)
	#	$	$	$	$	$
Balance, September 30, 2016	**83,597,829**	**6,950,482**	**425,336**	**328,000**	**(7,547,698)**	**156,120**
Common shares issued, net of issue costs	500,000	60,000	-	-	-	60,000
Warrants exercised	12,480,000	1,427,047	(179,047)	-	-	1,248,000
Broker w arrants exercised	42,000	9,733	(5,533)	-	-	4,200
Warrants expired unexercised	-	-	(12,806)	-	12,806	-
Options exercised	450,000	76,500	-	(31,500)	-	45,000
Option reserve	-	-	-	57,500	-	57,500
Loss and comprehensive loss for the year	-	-	-	-	(2,522,973)	(2,522,973)
Balance, September 30, 2017	**97,069,829**	**8,523,762**	**227,950**	**354,000**	**(10,057,865)**	**(952,153)**
Balance, September 30, 2015	**59,087,829**	**5,913,897**	**171,799**	**317,069**	**(6,343,773)**	**58,992**
Common shares issued, net of issue costs	23,830,000	1,201,890	-	-	-	1,201,890
Warrants	-	(243,925)	243,925	-	-	-
Broker w arrants	-	-	20,232	-	-	20,232
Warrants exercised	680,000	78,620	(10,620)	-	-	68,000
Options expired unxercised	-	-	-	(317,069)	317,069	-
Option reserve	-	-	-	328,000	-	328,000
Loss and comprehensive loss for the year	-	-	-	-	(1,520,994)	(1,520,994)
Balance, September 30, 2016	**83,597,829**	**6,950,482**	**425,336**	**328,000**	**(7,547,698)**	**156,120**

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

Emerita Resources Corp.
Consolidated Statements of Cash Flows
Expressed in Canadian Dollars

	Note	Year ended September 30, 2017 $	2016 $
Cash (used in)/provided by:			
Operating activities			
(Loss) for the year		**(2,522,973)**	(1,520,994)
Items not involving cash:			
Exploration and evaluation property writeoff	4	**756,847**	-
Share-based payment expense	6	**57,500**	328,000
Amortization		**4,464**	8,816
Working capital adjustments:			
Change in amounts receivable		**5,947**	(12,938)
Change in prepaid expenses		**24,171**	(47,484)
Change in accounts payable and accrued liabilities		**634,607**	344,582
Net cash (used in) operating activities		**(1,039,437)**	(900,018)
Investing activities			
Exploration and evaluation properties, net of change in working capital		**(45,817)**	(56,308)
Net cash (used in) investing activities		**(45,817)**	(56,308)
Financing activities			
Proceeds from issuance of common shares		**-**	1,166,500
Cost of issue		**-**	(21,878)
Options exercised	6	**45,000**	-
Warrants exercised	6	**1,252,200**	68,000
Net cash provided by financing activities		**1,297,200**	1,212,622
Change in cash, during the year		**211,946**	256,296
Cash, beginning of year		**306,773**	50,477
Cash, end of year		**518,719**	306,773
SUPPLEMENTAL INFORMATION			
Change in non-cash working capital for exploration and evaluation properties		**-**	242
Issuance of common shares for property (Note 4)		**60,000**	77,500
Issuance of broker warrants in private placement (Note 6)		**-**	20,232

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Emerita Resources Corp. (the "Company", or "Emerita") was incorporated on October 30, 2009 as 0865140 BC Ltd. pursuant to the *Business Corporations Act 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 ("TSXV") on January 11, 2013 under the new trading symbol "EMO". The Company owns the following subsidiaries:

- A 100% interest in 2244182 Ontario Inc. ("2244182"), which owns Emerita Resources Espana SL ("Emerita Espana"), a company incorporated on May 30, 2012 in Spain.
- A 99% interest in Emerita do Brazil Mineracao Ltda. ("Emerita Brazil"), a company incorporated on December 9, 2017 in Brazil.
- A 75% interest in Zinco das Gerais, a company incorporated on August 15, 2017 in Brazil.

The Company is currently engaged in the acquisition, exploration and development of mineral properties. 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, social licensing requirements, 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, 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 operation. Material uncertainties as mentioned above cast 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.

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 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 and its subsidiaries. All material intercompany transactions and balances between subsidiaries have been eliminated on consolidation.

The Company holds a 50% interest in Cantabrica del Zinc ("Cantabrica"), along with its joint venture partner the Aldesa Group. Cantabrica was incorporated subsequent to the fiscal year end, and will be reported as a joint venture in the consolidated financial statements for future accounting periods.

Approval of the consolidated financial statements

These consolidated financial statements of the Company for the year ended September 30, 2017 were reviewed, approved and authorized for issue by the Board of Directors of the Company on January 18, 2018.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Critical judgements and estimation uncertainties (continued)

Capitalization of exploration and evaluation costs

Management has determined that exploration and evaluation costs incurred 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 4 for details of the Company's capitalized exploration and evaluation costs.

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. Changes in the market and the economic and legal environment in which the Company operates that are not within its control affect the recoverable amount of exploration and evaluation properties. Internal sources of information considered by the Company 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, value added, withholding and other taxes

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

Share-based payments

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based share awards is 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 12.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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
Software	3 - 5 years

Financial instruments

<u>*Financial assets*</u>

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.

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 because 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, 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 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, other financial liabilities 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 considering 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments **(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 or management determines that impairment is required, 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.

Farm-outs in the exploration and evaluation phase

The Company does not record any expenditures made by the farmee on its account. Any cash consideration received directly from the farmee is credited against costs expensed in relation to the whole interest with any excess accounted for by the farmor as a gain on disposal.

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.

Common shares

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currency translation

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 (Note 6).

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.

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 the Company's outstanding stock options and warrants were anti-dilutive for the years ended September 30, 2017 and 2016.

Impairment of non-financial assets

The carrying values of capitalized exploration and evaluation properties and equipment 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 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 a reversal is recognized in loss.

Rehabilitation provisions

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Rehabilitation provisions (continued)

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, 2017 or 2016.

Future accounting changes

Certain new standards, interpretations, amendments and improvements to existing standards were issued by IASB or IFRIC that are mandatory for accounting periods beginning on or after October 1, 2017. Updates that are not applicable or are not consequential to the Company have been excluded thereof. The following have not yet been adopted and are being evaluated to determine their impact on the consolidated financial statements.

IFRS 2- Share-based Payment ("IFRS 2") was amended by the IASB in June 2016 to clarify the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The amendments are effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

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 10 – Consolidated Financial Statements ("IFRS 10") and IAS 28 – Investments in Associates and Joint Ventures ("IAS 28") were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined, however early adoption is permitted.

IFRS 16 – Leases ("IFRS 16") was issued in January 2016 and replaces IAS 17 – Leases as well as some lease related interpretations. With certain exceptions for leases under twelve months in length or for assets of low value, IFRS 16 states that upon lease commencement a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the lessee shall measure the right-of-use asset at cost less accumulated depreciation and accumulated impairment. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognise the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 requires that lessors classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise it is an operating lease. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted if IFRS 15 has also been applied.

Expressed in Canadian Dollars

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Future accounting changes (continued)

IFRIC 22- Foreign Currency Transactions and Advance Consideration ("IFRIC 22") was issued in December 2016 and addresses foreign currency transactions or parts of transactions where there is consideration that is denominated in a foreign currency; a prepaid asset or deferred income liability is recognized in respect of that consideration, in advance of the recognition of the related asset, expense or income; and the prepaid asset or deferred income liability is non-monetary. The interpretation committee concluded that the date of the transaction, for purposes of determining the exchange rate, is the date of initial recognition of the non-monetary prepaid asset or deferred income liability. IFRIC 22 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

IAS 7- Statement of Cash Flows ("IAS 7") was amended in January 2016 to clarify that disclosures shall be provided that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments are efffective for annual periods beginning on or after January 1, 2017.

IAS 12- Income Taxes ("IAS 12") was amended in January 2016 to clarify that, among other things, unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use; the carrying amount of an asset does not limit the estimation of probable future taxable profits; and estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.

During 2017, the Company adopted a number of new IFRS standards, interpretations, amendments and improvements of existing standards. This included IFRS 7, IFRS 11 and IAS 1. These new standards and changes did not have any material impact on the Company's consolidated financial statements.

3. EQUIPMENT

	Office Equipment	Office Furniture	Software	Vehicle	Total
Cost as at September 30, 2015 and 2016	$ 16,737	$ 18,253	$ 1,881	$ 13,762	$ 50,633
Disposals, 2017	-	-	-	(13,762)	$ (13,762)
Additions, 2017	3,966	-	-	-	$ 3,966
Cost as at September 30, 2016	$ 20,703	$ 18,253	$ 1,881	$ -	$ 40,837
Accumulated amortization as at September 30, 2015	$ 10,381	$ 4,596	$ 1,198	$ 4,953	$ 21,128
Charge for the year, 2016	4,187	1,826	600	2,203	$ 8,816
Accumulated amortization as at September 30, 2016	14,568	6,422	1,798	7,156	$ 29,944
Disposals, 2017	-	-	-	(7,156)	$ (7,156)
Charge for the year, 2017	2,557	1,824	83	-	$ 4,464
Accumulated amortization as at September 30, 2017	$ 17,125	$ 8,246	$ 1,881	$ -	$ 27,252
Net book value as at September 30, 2016	$ 2,169	$ 11,831	$ 83	$ 6,606	$ 20,689
Net book value as at September 30, 2017	$ 3,578	$ 10,007	$ -	$ -	$ 13,585

Expressed in Canadian Dollars

4. EXPLORATION AND EVALUATION PROPERTIES

	Las Morras Property	Brazil Lithium Project	Total
	$	$	$
Balance, September 30, 2016	**1,048,384**	**77,500**	**1,125,884**
Cost incurred during the year:			
Common shares issued (c)	-	60,000	60,000
Land management fees, taxes and permits	24,223	-	24,223
Technical reports	2,207	-	2,207
Legal fees	348	-	348
Overhead - Project office Sevilla	21,679	-	21,679
Writedown of Los Morras property (a)	(756,847)	-	(756,847)
Balance, September 30, 2017	**339,994**	**137,500**	**477,494**

	Las Morras Property	Brazil Lithium Project	Total
	$	$	$
Balance, September 30, 2015	**991,834**	**-**	**991,834**
Cost incurred during the year:			
Option to purchase	-	77,500	77,500
Land management fees, taxes and permits	24,816	-	24,816
Field expenses	1,180	-	1,180
Vehicle and fuel	390	-	390
Overhead - Project office Sevilla	30,164	-	30,164
Balance, September 30, 2016	**1,048,384**	**77,500**	**1,125,884**

As at September 30, 2017, the Company has valid permits for two gold exploration properties. Each of the properties are comprised of exploration permits that were issued by the Extremadura regulatory authorities and the Asturias regulatory authorities, respectively. The Company also has an option to acquire a lithium property in Brazil.

a) Las Morras Property

- The original exploration permit for Las Morras Property is comprised of 230 claims, totaling approximately 7,000 hectares. The original exploration permit for Las Morras was granted in 2012 with an expiry date of April 17, 2015 subject to a right of renewal for an additional three-year term. The Company applied for an additional three-year term and received approval of the renewal for a period of two years on August 20, 2015. A subsequent renewal for an additional period of two years was granted on January 20, 2017. This property is in the eastern part of the Badajoz Province of Spain.

- On November 14, 2017 the Company entered into a binding letter agreement with Copper One Inc. (“Copper One”) pursuant to which the Company has granted an option (“the Option”) to acquire a 100% interest in the Las Morras Project. Please refer to Note 13. As a result of the agreement, the Company has written down the value of the property as at September 30, 2017 to the present value of the consideration expected to be received by the Company if the Option is completed, using an estimated discount rate of 15%.

4. EXPLORATION AND EVALUATION PROPERTIES (continued)

b) Sierra Alta Property

- The Sierra Alta Property is comprised of one exploration permit which consists of 90 mining claims comprising approximately 2,700 hectares in the Asturias region in northwestern Spain. The Company applied for the permit on November 18, 2013 and received notice that the property had been granted on July 8, 2015 through the publication of the granting in the regional gazette. From that date, the concession is valid for a three year term and is renewable for equal and successive periods of three years. The permit was renewed in July 2017, and will expire in July 2020.

c) Brazil Lithium

- In June 2016, the Company entered into a binding letter agreement (the “Falcon Agreement”) with Falcon Metais Ltda. (“Falcon”) pursuant to which Falcon granted to Emerita an option (the “Option”) to acquire a 100% interest in the Falcon Litio MG Project (the “Falcon Project”) on or before June 13, 2018 (the “Option Expiry Date”). The Falcon Project is located in Minas Gerais State, Brazil, and is comprised of one exploration permit and five applications for exploration permits. The applications for exploration permits have been submitted to the Brazilian Mining Agency by Falcon and will be transferred to Emerita when the exploration permits are granted.

- In order to acquire the Option, Emerita issued 500,000 common shares to Falcon in June 2016, at a price per share of $0.155 based on the quoted market value of the shares on the date of issuance. An additional 500,000 common shares were issued on August 28, 2017 at a price per share of $0.12 based on the quoted market value of the shares on the date of issuance. In order to exercise the Option and acquire the Falcon Project, Emerita must issue a third tranche of 500,000 common shares to Falcon on or before the Option Expiry Date. All issuances of common shares of Emerita are subject to a statutory hold period and to approval by the TSXV. If Emerita exercises the Option and acquires the Falcon Project, Falcon will retain a transferable 2% net smelter royalty on all commercial sales from the Falcon Project.

- In addition, if a “mineral resource”, as defined in National Instrument 43-101 (“NI 43-101”), of at least 20 million tonnes with a grade of at least 1.3% LiO2 is delineated at the Project, Emerita shall either, (i) pay $5 million in cash to Falcon or, by its sole discretion, (ii) issue $5 million worth (to be determined on a reasonable volume weighted average price basis) of common shares to Falcon (the “Resource Consideration”).

- The Resource Consideration shall only be paid by Emerita if (i) the mineral resource is verified by a “qualified person”, as such term is defined in NI 43-101, who is independent of Emerita and Falcon, and (ii) at least 50% of the mineral resource is categorized as an “indicated mineral resource” or “measured mineral resource”, as defined in NI 43-101.

- Pursuant to the Agreement, Falcon will hold the Project in trust for Emerita until Emerita exercises the Option and the Project is assigned and transferred to Emerita. If Emerita does not exercise the Option by the Option Expiry Date, Falcon will retain the Project.

4. EXPLORATION AND EVALUATION PROPERTIES (continued)

d) Salobro Zinc Property

- The project is comprised of two mining applications covering 1,209.75 hectares in the Municipality of Porteirinha, Minas Gerais State, Brazil. On July 14, 2017, the Company entered a definitive agreement with Vale S.A. ("Vale") and IMS Engenharia Mineral Ltda. ("IMS") to acquire the project. On October 5, 2017, the Company received conditional approval from the TSX-V to complete the acquisition. In connection with entering into the Definitive Agreement, Emerita and IMS have entered into a binding letter of intent pursuant to which Emerita has agreed to incorporate and organize a Brazilian subsidiary to formally acquire the project from IMS. Emerita will initially own 75% of the subsidiary and an exclusive right to acquire the remaining 25% interest from IMS at its sole option.

- As part of the TSXV approval process, Emerita has engaged an independent technical consultant to complete a NI 43-101 technical report on the Salobro Project and the technical report will be filed on SEDAR promptly after the closing of the transaction.

- Pursuant to the definitive agreement, Emerita agrees to pay USD$6.5 million in cash to Vale. The cash payments will be made by Emerita over seven years on the following schedule:

  - US$350,000 within 30 days from the date that the request for assignment of the mining rights is filed by IMS or Emerita with Brazil's national mining agency and subsequent to Vale withdrawing its pending claims against IMS.
  - US$1,650,000 on or before July 14, 2018;
  - US$1,500,000 on or before July 14, 2020; and
  - US$3,000,000 on or before July 14, 2024.

- The rights to the Salobro Project are currently subject to litigation between Vale and IMS. In connection with this Transaction, Vale will withdraw its claims pending against IMS in the Civil Court of Belo Horizonte in respect of the amounts Vale claims are owing to it in relation to IMS's previous acquisition of the Salobro Project. Such claims currently are registered as encumbrances on the Mining Rights. Emerita will pay Vale's legal fees and court costs in connection with withdrawing such claims. Vale's legal fees are R$750,000 and its court costs are estimated to be R$10,000 (approximately USD$240,000 or CAD$300,000 in total).

- The subsidiary shall hold the Salobro Project in trust for Vale until the consideration has been fully paid by Emerita. If Emerita fails to pay any instalment of the consideration to Vale and Emerita does not remedy any breach within 30 days, Vale may request that the Salobro Project be returned by the subsidiary or IMS, as applicable, to Vale and Vale shall retain any portion of the consideration it has received up until such time. Vale shall not refund any of the legal fees and court costs paid by Emerita regarding this transaction.

- As consideration for IMS transferring the rights to the Salobro Project to the Brazilian subsidiary, the Company shall issue 1,000,000 of its common shares to IMS or its nominee on the date the transfer of the Mining Rights from IMS to the subsidiary is approved.

- The Company has the right to acquire IMS's 25% interest in the subsidiary up to 48 months from the date of the execution of the definitive agreement, by paying CAD$2,000,000 in cash to IMS or its nominee and issuing an additional 1,000,000 common shares to IMS or its nominee.

Expressed in Canadian Dollars

5. COMMON SHARES

Authorized

At September 30, 2017, the authorized share capital consisted of an unlimited number of common shares without par value.

Common Shares Issued

	Number of shares outstanding		Amount
Balance, September 30, 2015	**59,087,829**	**$**	**5,913,897**
Private placement, net of issuance costs (iii)	4,250,000		158,567
Private placement, net of issuance costs (ii)	19,080,000		721,897
Mineral Property Option Acquisition (i)	500,000		77,500
Warrant exercise	680,000		68,000
Valuation allocation of exercise of warrants	-		10,621
Balance, September 30, 2016	**83,597,829**	**$**	**6,950,482**
Mineral Property Option Acquisition (i)	500,000	$	60,000
Warrant exercise	12,522,000		1,252,200
Option exercise	450,000		45,000
Revaluation of broker warrants	-		3,433
Valuation allocation of exercise of warrants	-		181,147
Valuation allocation of exercise of options	-		31,500
Balance, September 30, 2017	**97,069,829**	**$**	**8,523,762**

(i) On June 13, 2016, the Company entered into a binding letter agreement with Falcon Metais Ltda., granting the Company an option to acquire a 100% interest in the Falcon Litio MG Project on or before June 13, 2018. In order to acquire the option, the Company issued 500,000 common shares at a price per share of $0.155. An additional 500,000 common shares were issued on August 28, 2017 at a price per share of $0.12 (Note 4).

(ii) On May 20, 2016, the Company completed a non-brokered private placement financing by issuing 19,080,000 units at a price of $0.05 per unit for gross proceeds of $954,000. Each unit is comprised of one common share and one warrant. Each warrant is exercisable at a price of $0.10 per warrant until May 20, 2018. The fair value of the warrants was estimated at $190,800 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 111%; risk-free interest rate of 0.62% and an expected life of 2 years. In addition, 336,000 finder warrants were granted. Each finder warrant is exercisable at a price of $0.10 per warrant until May 27, 2018. The fair value of the finder warrants was estimated at $16,800 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 112%; risk-free interest rate of 0.65% and an expected life of 2 years.

(iii) On December 24, 2015, the Company completed a non-brokered private placement financing by issuing 4,250,000 units at a price of $0.05 per unit for gross proceeds of $212,500. Each unit is comprised of one common share and one warrant. Each warrant is exercisable at a price of $0.10 per warrant until December 24, 2017. The fair value of the warrants was estimated at $53,125 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 124%; risk-free interest rate of 0.49% and an expected life of 2 years.

Expressed in Canadian Dollars

6. EQUITY RESERVES

Warrants

The changes in warrants issued during the years ended September 30, 2017 and 2016 are as follows:

	Number of warrants	Weighted average exercise price	Value of warrants
Balance, September 30, 2015	**11,000,000**	**$ 0.10**	**$ 171,799**
Granted, December 2015	4,250,000	0.10	53,125
Exercised, April 2016	(180,000)	0.10	(2,811)
Granted May 2016	19,487,400	0.10	211,032
Exercised, June 20, 2016	(500,000)	0.10	(7,809)
Balance, September 30, 2016	**34,057,400**	**$ 0.10**	**$ 425,336**
Exercised, January 2017	(1,393,400)	0.10	(20,693)
Exercised, February 2017	(2,270,000)	0.10	(28,318)
Exercised, March 2017	(1,430,000)	0.10	(21,243)
Exercised, April 2017	(7,000,000)	0.10	(109,326)
Expired, April 24, 2017	(820,000)	0.10	(12,806)
Exercised, June 14, 2017	(100,000)	0.10	(1,000)
Exercised, August 22, 2017	(400,000)	0.10	(4,000)
Balance, September 30, 2017	**20,644,000**	**$ 0.10**	**$ 227,950**

The following summarizes the warrants outstanding as of September 30, 2017:

Number outstanding #	Number exercisable #	Grant date	Expiry date	Exercise price $	Estimated grant date fair value $	Volatility	Risk-free interest rate	Expected life (Yrs) #	Expected dividend yield
3,900,000	3,900,000	24-Dec-15	24-Dec-17	$0.10	48,750	124%	0.49%	2.00	0%
16,450,000	16,450,000	20-May-16	20-May-18	$0.10	164,500	111%	0.62%	2.00	0%
294,000	294,000	27-May-16	27-May-18	$0.10	14,700	112%	0.65%	2.00	0%
20,644,000	**20,644,000**				**227,950**				

The weighted-average remaining contractual life of the warrants as of September 30, 2017 is 0.56 years (2016 – 1.74 years).

Expressed in Canadian Dollars

6. EQUITY RESERVES (continued)

Share-based payments

The changes in stock options issued during the years ended September 30, 2017 and 2016 are as follows:

	Number of options	Weighted average exercise price	Estimated grant date fair value
Balance, September 30, 2015	**3,560,000**	**$ 0.18**	**$ 317,069**
Granted, November 25, 2015	200,000	0.10	4,000
Expired, January 10, 2016	(3,000,000)	0.20	(300,000)
Granted, March 1, 2016	200,000	0.05	2,000
Expired, August 28, 2016	(560,000)	0.10	(17,069)
Granted, August 29, 2016	4,450,000	0.10	311,500
Granted, September 8, 2016	150,000	0.10	10,500
Balance, September 30, 2016	**5,000,000**	**$ 0.10**	**$ 328,000**
Granted, October 24, 2016	1,650,000	0.10	82,500
Exercised, February 6, 2017	(200,000)	0.10	(14,000)
Exercised, August 16, 2017	(250,000)	0.10	(17,500)
Cancelled, September 30, 2017	(500,000)	0.10	(25,000)
Balance, September 30, 2017	**5,700,000**	**$ 0.10**	**$ 354,000**

Options outstanding as of September 30, 2017 are as follows:

Number outstanding #	Number exercisable #	Grant date	Expiry date	Exercise price $	Estimated grant date fair value $	Volatility	Risk-free interest rate	Expected life (Yrs) #	Expected dividend yield
200,000	200,000	25-Nov-15	25-Nov-17	$0.10	4,000	118%	0.63%	2.00	0%
200,000	200,000	01-Mar-16	01-Mar-18	$0.05	2,000	98%	0.53%	2.00	0%
4,000,000	4,000,000	29-Aug-16	29-Aug-21	$0.10	280,000	128%	0.72%	5.00	0%
150,000	150,000	08-Sep-16	08-Sep-21	$0.10	10,500	128%	0.68%	5.00	0%
1,150,000	1,150,000	24-Oct-16	24-Oct-21	$0.10	57,500	111%	0.53%	5.00	0%
5,700,000	**5,700,000**				**354,000**				

The weighted average remaining contractual life of the options as at September 30, 2017 is 3.69 years (2016 – 4.63 years).

7. CAPITAL MANAGEMENT

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

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.

7. CAPITAL MANAGEMENT (continued)

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, 2017 and 2016.

The Company and its subsidiaries are not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSX Venture Exchange ("TSXV") which requires adequate working capital or financial resources of the greater of (i) $50,000 and (ii) an amount required to maintain operations and cover general and administrative expenses for a period of 6 months. As at September 30, 2017, the Company may not be compliant with the policies of the TSXV. The impact of this violation is not known and is ultimately dependent on the discretion of the TSXV.

8. 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, 2017 and 2016, the Company had no instruments to classify in the fair value hierarchy.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

(a) *Credit risk*

Counterparty credit risk is the risk that the financial benefits of contracts with a specific counterparty will be lost if a counterparty defaults on its obligations under the contract. This includes any cash amounts owed to the Company by those counterparties, less any amounts owed to the counterparty by the Company where a legal right of set-off exists and also includes the fair values of contracts with individual counterparties which are recorded in the financial statements.

a. *Trade credit risk*
The Company is not exposed to significant trade credit risk.

8. FINANCIAL INSTRUMENTS (continued)

b. *Cash*
In order to manage credit and liquidity risk the Company's policy is to invest only in highly rated investment grade instruments that have maturities of three months or less. Limits are also established based on the type of investment, the counterparty and the credit rating.

(b) *Currency risk*

Currency risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will fluctuate because of changes in foreign exchange rates. The Company's foreign currency risk arises primarily with respect to the Euro from its property interests in Spain and US dollars from operations. Fluctuations in the exchange rates between these currencies and the Canadian dollar could have a material effect on the Company's business, financial condition and results of operations. The Company does not engage in any hedging activity to mitigate this risk.

As at September 30, 2017 and 2016, the Company had the following financial instruments and denominated in foreign currency (expressed in Canadian dollars):

September 30, 2017

	Euro	US dollars
Cash	$ 47,914	$ 1,093
Accounts payable and accrued liabilities	(390,345)	(468,906)
	$ (342,431)	$ (467,813)

September 30, 2016

	Euro	US dollars
Cash	$ 26,484	$ 7,870
Accounts payable and accrued liabilities	(460,465)	(288,877)
	$ (433,981)	$ (281,007)

A 10% strengthening (weakening) of the Canadian dollar against the Euro and US dollar would decrease (increase) net loss by approximately $34,000 (2016 - $43,000), and $47,000 (2016- $28,000), respectively.

(c) *Liquidity risk*

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. At September 30, 2017, the Company had a cash balance of $518,719 (September 30, 2016 - $306,773) to settle current liabilities of $2,116,818 (September 30, 2016 - $1,482,211). The Company's trade payables have contractual maturities of less than 30 days and are subject to normal trade terms.

(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 they relate to gold and zinc, 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.

Expressed in Canadian Dollars

9. RELATED PARTY TRANSACTIONS

The Company shares office space with other companies who may have common officers or directors. The costs associated with this space are administered by an unrelated company.

As at September 30, 2017, an amount of $972,436, included in accounts payable, were owed to directors and officers of the Company (September 30, 2016 - $634,927). 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, 2017 and 2016, the remuneration of directors and other key management personnel are as follows:

	Year ended September 30,	
	2017	2016
Management fees	$ 683,304	$ 389,560
Share-based payments	-	196,000
	$ 683,304	$ 585,560

In connection with the May 20, 2016 placement (see Note 5(ii)), officers and directors of the Company subscribed for 500,000 units of the Company for total proceeds of $25,000.

In connection with the December 24, 2015 placement (see Note 5(iii)), officers and directors of the Company subscribed for 100,000 units of the Company for total proceeds of $5,000.

Expressed in Canadian Dollars

10. SEGMENT INFORMATION

The Company conducts its business as a single operating segment, being mineral exploration and evaluation in Spain and Brazil. At September 30, 2017 and 2016, 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, 2017 and 2016:

September 30, 2017	Spain	Canada	Total
Cash	$ 47,914	$ 470,805	$ 518,719
Other current assets	101,494	36,421	137,915
Reclamation deposit	16,952	-	16,952
Property, plant and equipment	13,585	-	13,585
Exploration and evaluation properties	477,494	-	477,494
Total Assets	**$ 657,439**	**$ 507,226**	**$ 1,164,665**
Accounts payable and accrued liabilities	$ 390,345	$ 1,726,473	$ 2,116,818
Total liabilities	**$ 390,345**	**$ 1,726,473**	**$ 2,116,818**

September 30, 2016	Spain	Canada	Total
Cash	$ 26,484	$ 280,289	$ 306,773
Other current assets	125,703	42,330	168,033
Reclamation deposit	16,952	-	16,952
Property, plant and equipment	20,689	-	20,689
Exploration and evaluation properties	1,125,884	-	1,125,884
Total Assets	**$ 1,315,712**	**$ 322,619**	**$ 1,638,331**
Accounts payable and accrued liabilities	$ 460,465	$ 1,021,746	$ 1,482,211
Total liabilities	**$ 460,465**	**$ 1,021,746**	**$ 1,482,211**

The following tables summarize the loss by geographic segment for the years ended September 30, 2017 and 2016:

September 30, 2017	Spain	Canada	Total
Interest income	$ -	$ (423)	$ (423)
Project evalution expenses	474,866	-	474,866
General and administrative expenses	-	1,282,831	1,282,831
Exploration and evaluation property writeoff	712,682	44,164	756,847
Foreign exchange loss	-	8,852	8,852
Loss	**$ 1,187,548**	**$ 1,335,424**	**$ 2,522,973**

September 30, 2016	Spain	Canada	Total
Interest income	$ -	$ (98)	$ (98)
Project evalution expenses	465,691	-	465,691
General and administrative expenses	-	1,058,328	1,058,328
Foreign exchange (gain)	-	(2,927)	(2,927)
Loss	**$ 465,691**	**$ 1,055,303**	**$ 1,520,994**

Expressed in Canadian Dollars

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 26.5% (2016 – 26.5%) were as follows:

Provision for income taxes

	2017 $	2016 $
(Loss) before income taxes	(2,522,973)	(1,520,994)
Expected income tax recovery based on statutory rate	(669,000)	(403,000)
Adjustment to expected income tax benefit:		
Share-based payments	15,000	87,000
Expenses not deductible for tax purposes	1,000	1,000
Difference in tax rates	(16,000)	(16,000)
Difference in foreign exchange rates	(26,000)	(20,000)
Change in benefit of tax assets not recognized	695,000	351,000
Deferred income tax provision (recovery)	-	-

Deferred income taxes

Deferred income tax assets have been recognized in respect of the following items:

	2017 $	2016 $
Exploration and evaluation properties	(106,000)	(277,000)
Non-capital loss carry-forwards	106,000	277,000
Net tax assets (liabilities)	-	-

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

	2017 $	2016 $
Non-capital loss carry-forwards	9,207,000	6,165,000
Share issue costs	15,000	25,000
Other temporary differences	141,000	141,000
Total	9,363,000	6,331,000

Non-capital losses of $5,450,000 in Canada expire between 2029 and 2037. Non-capital losses of €2,343,000 ($3,855,000) in Spain expire between 2030 and 2035. 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.

12. 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 $324,000 (2016 - $326,000) and additional contingent payments of up to approximately $1,235,000 (2016 - $1,241,000) 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 subject to various claims, lawsuits and other complaints arising in the ordinary course of business. The Company records provisions for losses when claims become probable and the amounts are estimable. Although the outcome of such matters cannot be determined, it is the opinion of management that the final resolution of these matters will not have a material adverse effect on the Company's financial condition, operations or liquidity.

The Company has been named as a defendant in a claim made by a group of companies regarding the payment of outstanding amounts owing to the group of companies relating to certain advertising services. The plaintiff is seeking payment in the amount of € 208,457 ($307,307). Although the ultimate outcome of this action cannot be ascertained at this time and the results of legal proceedings cannot be predicted with certainty, management believes this claim to be without merit.

13. SUBSEQUENT EVENTS

On October 26, 2017, the Company, along with its Spanish joint venture partner the Aldesa Group ("Aldesa"), were awarded exploration concessions for 3,600 hectares in the Santillana Syncline (the "Plaza Norte Project"). The Plaza Norte Project is in the Reocin Basin in Cantabria, Spain. The rights to the Plaza Norte Project have been granted for an initial term of three years, with the option to renew. The Company and Aldesa each own a 50% interest in Cantabrica del Zinc ("the JV Co"), and will be equally represented on the board of directors. Emerita will be the operator of the Plaza Norte Project.

On November 14, 2017, the Company entered into a binding letter agreement with Copper One Inc. ("Copper One") pursuant to which the Company has granted an option ("the Option") to acquire a 100% interest in the Las Morras Project. As consideration for the Option, Copper One paid $25,000 in cash to the Company on November 17, 2017 and paid an additional $75,000 in cash to the Company on January 9, 2018.

In order to exercise the Option and acquire a 100% interest in the Project, Copper One shall:

- pay $100,000 in cash to the Company on or before November 14, 2019;
- spend $500,000 on exploration activities on the Project on or before November 14, 2019;
- pay $250,000 in cash to the Company on or before November 14, 2020;
- spend $1,500,000 on exploration activities on the Project on or before November 14, 2021; and
- grant to the Company a 2% net smelter return royalty on the Project.

In November 2017, 100,000 of the Company's outstanding warrants were exercised, generating net proceeds of $10,000.

13. SUBSEQUENT EVENTS (continued)

On December 20, 2017, the Company completed a private placement financing by issuing 42,426,000 units at a price of $0.10 per unit for gross proceeds of $4,242,600. Each unit is comprised of one common share and one half of one common share purchase warrant. Each whole warrant is exercisable at a price of $0.20 per warrant until December 20, 2019. The proceeds will be used to commence the exploration program of the Plaza Norte and Salobro zinc projects, for future acquisitions of mineral properties, and for general corporate purposes.