



Condensed Interim Consolidated Financial Statements

For the three and six months ended March 31, 2017 and 2016

(Unaudited, expressed in Canadian Dollars)

**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements; they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements, in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Emerita Resources Corp.

Condensed Interim Consolidated Statements of Financial Position

(Unaudited)

Expressed in Canadian Dollars

	Note	March 31, 2017 \$	September 30, 2016 \$
ASSETS			
Current			
Cash		425,958	306,773
Amounts receivable		95,059	114,950
Prepaid expenses		28,625	53,083
Total current assets		549,642	474,806
Long-term			
Reclamation deposit		16,389	16,952
Equipment		11,093	20,689
Exploration and evaluation properties	3	1,158,440	1,125,884
Total assets		1,735,564	1,638,331
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	7,8	1,639,560	1,482,211
Total liabilities		1,639,560	1,482,211
SHAREHOLDERS' EQUITY			
Common shares	4	7,556,935	6,950,482
Warrants reserve		355,083	425,336
Option reserve		379,025	328,000
Deficit		(8,195,039)	(7,547,698)
Total shareholders' equity		96,004	156,120
Total liabilities and shareholders' equity		1,735,564	1,638,331
Nature of operations and going concern	1		
Commitments and contingencies	10		
Subsequent events	11		

Approved on behalf of the Board of Directors on May 30, 2017:

Signed: "Catherine Stretch", Director

Signed: "David Gower", Director

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

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

	Three months ended		Six months ended	
	March 31,		March 31,	
	2017	2016	2017	2016
	\$	\$	\$	\$
Expenses				
Project evaluation expenses	67,897	231,481	157,464	327,797
Consulting and management fees	102,406	122,100	312,885	186,435
Professional fees	17,200	13,199	24,748	13,199
Shareholder communications and filing fees	15,470	9,891	23,567	17,374
Travel expenses	11,756	18,176	11,756	18,143
Office expenses	12,160	3,397	59,173	6,533
Share-based payments	29,706	2,000	65,025	6,000
Loss for the period before other items	(256,595)	(400,244)	(654,618)	(575,481)
Other items				
Interest income	16	2	45	2
Foreign exchange gain/(loss)	(2,339)	4,278	7,232	162,358
Loss and comprehensive loss for the period	(258,918)	(395,964)	(647,341)	(413,121)
Basic and diluted loss per share	(0.00)	(0.01)	(0.01)	(0.01)
Weighted average number of common shares outstanding				
Basic and Diluted	84,867,477	63,337,829	84,867,477	63,337,829

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

Emerita Resources Corp.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity/(Deficiency)

(Unaudited)

Expressed in Canadian Dollars

	Number of shares	Common Shares	Warrant Reserve	Option Reserve	Deficit	Shareholder's equity/(deficiency)
	#	\$	\$	\$	\$	\$
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	4,250,000	211,692	-	-	-	211,692
Warrants	-	(53,125)	53,125	-	-	-
Options expired unexercised	-	-	-	(300,000)	300,000	-
Option reserve	-	-	-	6,000	-	6,000
Loss and comprehensive loss for the period	-	-	-	-	(413,121)	(413,121)
Balance, March 31, 2016	63,337,829	6,072,464	224,924	23,069	(6,456,894)	(136,437)
Balance, September 30, 2016	83,597,829	6,950,482	425,336	328,000	(7,547,698)	156,120
Warrants exercised	4,980,000	562,720	(64,720)	-	-	498,000
Broker warrant revaluation	-	3,433	(3,433)	-	-	-
Broker warrants exercised	42,000	6,300	(2,100)	-	-	4,200
Options exercised	200,000	34,000	-	(14,000)	-	20,000
Option reserve	-	-	-	65,025	-	65,025
Loss and comprehensive loss for the period	-	-	-	-	(647,341)	(647,341)
Balance, March 31, 2017	88,819,829	7,556,935	355,083	379,025	(8,195,039)	96,004

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

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

	Six months ended March 31,	
	2017	2016
	\$	\$
CASH (USED)/PROVIDED BY:		
OPERATING ACTIVITIES:		
(Loss) for the period	(647,341)	(413,121)
Items not involving cash:		
Share-based payment expense	65,025	6,000
Amortization	9,596	-
Unrealized foreign exchange (gain)	(1,294)	(132)
Working capital adjustments:		
Changes in amounts receivable	19,891	2,432
Changes in prepaid expenses	24,458	(5,253)
Changes in accounts payable and accrued liabilities	157,349	251,923
Net cash (used in) operating activities	(372,316)	(158,151)
INVESTING ACTIVITIES:		
Exploration and evaluation properties, net of change in working capital	(31,993)	(85,038)
Net cash (used in) investing activities	(31,993)	(85,038)
FINANCING ACTIVITIES:		
Proceeds from issuance of common shares	-	212,500
Cost of issue	-	(808)
Exercise of options	20,000	-
Exercise of warrants	502,200	-
Net cash provided by financing activities	522,200	211,692
Effect of exchange rate changes on cash	1,294	132
CHANGE IN CASH, during the period	119,185	(31,365)
CASH, beginning of period	306,773	50,477
CASH, end of period	425,958	19,112

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

Emerita Resources Corp.

Notes to the Condensed Interim Consolidated Financial Statements

March 31, 2017 and 2016

(Unaudited)

Expressed in Canadian Dollars

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 on January 11, 2013 under the new trading symbol “EMO”. The Company has a wholly owned subsidiary, 2244182 Ontario Inc. (“2244182”) which owns Emerita Resources Espana SL (“Emerita Espana”), a company incorporated on May 30, 2012 in Spain. 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, 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 cause significant doubt upon the Company’s ability to continue as a going concern.

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.

Emerita Resources Corp.

Notes to the Condensed Interim Consolidated Financial Statements

March 31, 2017 and 2016

(Unaudited)

Expressed in Canadian Dollars

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These condensed interim consolidated financial statements are in compliance with IAS 34, *Interim Financial Reporting*. Accordingly, certain information and disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), have been omitted or condensed. These condensed interim consolidated financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended September 30, 2016.

Basis of presentation

These condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information, and have been prepared using the historical cost basis. Furthermore, these condensed interim consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiary. All values are rounded to the nearest dollar.

These condensed interim consolidated financial statements include the accounts of the Company, 2244182 Ontario 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 six months ended March 31, 2017 were reviewed, approved and authorized for issue by the Board of Directors of the Company on May 30, 2017.

3. 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:			
Land management fees, taxes and permits	19,995	-	19,995
Overhead - Project office Sevilla	12,561	-	12,561
Balance, March 31, 2017	1,080,940	77,500	1,158,440

The Company has valid permits for two gold exploration properties. Each of the properties is comprised of exploration permits that were issued by the Extremadura regulatory authorities and the Asturias regulatory authorities, respectively.

Emerita Resources Corp.

Notes to the Condensed Interim Consolidated Financial Statements

March 31, 2017 and 2016

(Unaudited)

Expressed in Canadian Dollars

3. EXPLORATION AND EVALUATION PROPERTIES (continued)

Las Morras Property

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

Sierra Alta Property

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

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 Lítio MG Project (the "Project") on or before June 13, 2018 (the "Option Expiry Date"). The Project is located in Minas Gerais State, Brazil, and is comprised of one exploration permit and five applications for exploration permits. The applications have been submitted to the Brazilian Mining Agency by Falcon and will be transferred to Emerita when the permits are granted.
- In order to acquire the Option, Emerita issued 500,000 common shares to Falcon, at a price per share of \$0.155 based on the estimated market value of the shares on the date of issuance. In order to keep the Option in good standing prior to its expiry, Emerita is required to issue an additional 500,000 common shares to Falcon on or before June 13, 2017. 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 CAD\$5 million in cash to Falcon or, by its sole discretion, (ii) issue CAD\$5 million worth (to be determined on a reasonable volume weighted average price basis) of common shares to Falcon (the "Resource Consideration").

Emerita Resources Corp.

Notes to the Condensed Interim Consolidated Financial Statements

March 31, 2017 and 2016

(Unaudited)

Expressed in Canadian Dollars

3. EXPLORATION AND EVALUATION PROPERTIES (continued)

Brazil Lithium (continued)

- 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 until Emerita exercises the Option and the Falcon Project is assigned and transferred to the Company. If Emerita does not exercise the Option by the Option Expiry Date, Falcon will retain the Project.

4. COMMON SHARES

Authorized

At March 31, 2017, the authorized share capital consisted of an unlimited number of common shares without par value.

Common Shares Issued

	Number of shares	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
Warrant exercise	5,022,000	\$ 502,200
Option exercise	200,000	20,000
Revaluation of broker warrants	-	3,433
Valuation allocation of exercise of warrants	-	66,820
Valuation allocation of exercise of options	-	14,000
Balance, March 31, 2017	88,819,829	\$ 7,556,935

- (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 Lito MG Project on or before June 13, 2018. In order to acquire the option, the Company issued 500,000 common shares at a price per share of \$0.155 (Note 4).

Emerita Resources Corp.

Notes to the Condensed Interim Consolidated Financial Statements

March 31, 2017 and 2016

(Unaudited)

Expressed in Canadian Dollars

4. COMMON SHARES (continued)

Common Shares Issued (continued)

- (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 20, 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.

5. EQUITY RESERVES

Warrants

The changes in warrants issued during the six months ended March 31, 2017 are as follows:

	Number of warrants	Weighted average exercise price	Value of warrants
Balance, September 30, 2016	34,057,400	\$ 0.10	\$ 425,336
Exercised, January 12, 2017	(100,000)	0.10	(1,000)
Exercised, January 20, 2017	(541,000)	0.10	(8,610)
Revaluation, January 20, 2017	(71,400)	0.10	(3,433)
Exercised, January 24, 2017	(681,000)	0.10	(7,650)
Exercised, February 3, 2017	(1,020,000)	0.10	(10,200)
Exercised, February 8, 2017	(750,000)	0.10	(10,309)
Exercised, February 14, 2017	(500,000)	0.10	(7,809)
Exercised, March 17, 2017	(350,000)	0.10	(4,375)
Exercised, March 23, 2017	(380,000)	0.10	(5,935)
Exercised, March 31, 2017	(700,000)	0.10	(10,933)
Balance, March 31, 2017	28,964,000	\$ 0.10	\$ 355,083

Emerita Resources Corp.

Notes to the Condensed Interim Consolidated Financial Statements

March 31, 2017 and 2016

(Unaudited)

Expressed in Canadian Dollars

5. EQUITY RESERVES (continued)

Warrants (continued)

Warrants outstanding as of March 31, 2017 are as follows:

Number outstanding #	Number exercisable #	Grant date	Expiry date	Exercise price \$	Estimated Grant date fair value \$	Expected volatility	Risk-free interest rate	Expected life (Yrs) #	Expected dividend yield
7,820,000	7,820,000	24-Apr-15	24-Apr-17	\$0.10	122,133	132%	0.68%	2.00	0%
3,900,000	3,900,000	24-Dec-15	24-Dec-17	\$0.10	48,750	124%	0.49%	2.00	0%
16,950,000	16,950,000	20-May-16	20-May-18	\$0.10	169,500	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%
28,964,000	28,964,000				355,083				

The weighted-average remaining contractual life of the warrants as of March 31, 2017 is 0.80 years (March 31, 2016 – 1.25 years).

Share-based payments

The changes in stock options during the six months ended March 31, 2017 are as follows:

	Number of options	Weighted average exercise price	Estimated grant date fair value
Balance, September 30, 2016	5,000,000	\$ 0.10	\$ 328,000
Granted, October 24, 2016	1,650,000	0.10	65,025
Exercised, February 6, 2017	(200,000)	0.10	(14,000)
Balance, March 31, 2017	6,450,000	\$ 0.10	\$ 379,025

Options outstanding as of March 31, 2017 are as follows:

Number outstanding #	Number exercisable #	Grant date	Expiry date	Exercise price \$	Estimated grant date fair value \$	Expected volatility	Risk-free interest rate	Expected life (Yrs) #
200,000	200,000	25-Nov-15	25-Nov-17	\$0.10	4,000	118%	0.63%	2.00
200,000	200,000	01-Mar-16	01-Mar-18	\$0.05	2,000	98%	0.53%	2.00
4,250,000	4,250,000	29-Aug-16	29-Aug-21	\$0.10	297,500	128%	0.72%	5.00
150,000	150,000	08-Sep-16	08-Sep-21	\$0.10	10,500	128%	0.68%	5.00
1,650,000	1,150,000	24-Oct-16	24-Oct-21	\$0.10	65,025	111%	0.53%	5.00
6,450,000	5,950,000				379,025			

The weighted average remaining contractual life of the options as of March 31, 2017 is 4.26 years (March 31, 2016 – 0.98 years).

Emerita Resources Corp.

Notes to the Condensed Interim Consolidated Financial Statements

March 31, 2017 and 2016

(Unaudited)

Expressed in Canadian Dollars

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 six months ended March 31, 2017.

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 in order to maintain operations and cover general and administrative expenses for a period of 6 months.

7. FINANCIAL INSTRUMENTS

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- a) Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- b) Level 2 - Inputs other than quoted prices that are observable for assets or liabilities, either directly or indirectly; and
- c) Level 3 - Inputs for assets and liabilities that are not based on observable market data.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The Company's financial instruments include cash, and accounts payable and accrued liabilities. The carrying values of these financial instruments reported in the statement of financial position approximate their respective fair values due to the relatively short-term nature of these instruments. As at March 31, 2017, 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:

Emerita Resources Corp.

Notes to the Condensed Interim Consolidated Financial Statements

March 31, 2017 and 2016

(Unaudited)

Expressed in Canadian Dollars

7. FINANCIAL INSTRUMENTS (Continued)

(a) Credit risk

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

a. Trade credit risk

The Company is not exposed to significant trade credit risk.

b. Cash

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

(b) Currency risk

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

As at September 30, 2016 and March 31, 2017, the Company had the following financial instruments and denominated in foreign currency (expressed in Canadian dollars):

March 31, 2017

	Euro	US dollars
Cash	\$ 38,166	\$ 1,324
Accounts payable and accrued liabilities	(401,663)	(362,570)
	\$ (363,497)	\$ (361,246)

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 1% strengthening (weakening) of the Canadian dollar against the Euro and US dollar would decrease (increase) net loss by approximately \$3,500 (September 30, 2016- \$4,000), and \$3,500 (September 30, 2016- \$3,000), respectively.

Emerita Resources Corp.

Notes to the Condensed Interim Consolidated Financial Statements

March 31, 2017 and 2016

(Unaudited)

Expressed in Canadian Dollars

7. FINANCIAL INSTRUMENTS (Continued)

(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 March 31, 2017, the Company had a cash balance of \$425,958 (September 30, 2016 - \$306,773) to settle current liabilities of \$1,639,560 (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 it relates to gold, individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company. Commodity price risk is remote as the Company is not a producing entity.

8. RELATED PARTY TRANSACTIONS

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

As at March 31, 2017, an amount of \$641,069, 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 six months ended March 31, 2017 and 2016, the remuneration of directors and other key management personnel are as follows:

	Six months ended March 31,	
	2017	2016
Management fees	\$ 180,431	\$ 187,140
Directors fees	45,000	45,000
	<u>\$ 225,431</u>	<u>\$ 232,140</u>

Emerita Resources Corp.

Notes to the Condensed Interim Consolidated Financial Statements

March 31, 2017 and 2016

(Unaudited)

Expressed in Canadian Dollars

9. SEGMENT INFORMATION

The Company conducts its business as a single operating segment, being mineral exploration and evaluation in Spain and Brazil. At March 31, 2017 and September 30, 2016, all exploration and evaluation assets were located in Spain. The following tables summarize the total assets and liabilities by geographic segment as at March 31, 2017 and September 30, 2016:

March 31, 2017	Spain	Canada	Total
Cash	\$ 38,166	\$ 387,792	\$ 425,958
Other current assets	99,404	24,280	123,684
Reclamation deposit	16,389	-	16,389
Property, plant and equipment	11,093	-	11,093
Exploration and evaluation properties	1,158,440	-	1,158,440
Total Assets	\$ 1,323,492	\$ 412,072	\$ 1,735,564

Accounts payable and accrued liabilities	\$ 401,663	\$ 1,237,897	\$ 1,639,560
Total liabilities	\$ 401,663	\$ 1,237,897	\$ 1,639,560

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 six months ended March 31, 2017 and 2016:

March 31, 2017	Spain	Canada	Total
Interest income	\$ -	\$ (45)	\$ (45)
Project evaluation expenses	157,464	-	157,464
General and administrative expenses	-	497,154	497,154
Foreign exchange (gain)/loss	-	(7,232)	(7,232)
Loss	\$ 157,464	\$ 489,877	\$ 647,341

March 31, 2016	Spain	Canada	Total
Interest income	\$ -	\$ (2)	\$ (2)
Project evaluation expenses	327,797	-	327,797
General and administrative expenses	-	247,684	247,684
Foreign exchange (gain)/loss	(162,358)	-	(162,358)
Loss	\$ 165,439	\$ 247,682	\$ 413,121

Emerita Resources Corp.

Notes to the Condensed Interim Consolidated Financial Statements

March 31, 2017 and 2016

(Unaudited)

Expressed in Canadian Dollars

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 (2016 - \$300,000) and additional contingent payments of up to approximately \$1,160,000 (2016 - \$1,180,000) 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 condensed interim consolidated financial statements.

The Company is party to a shared costs services agreement. The remaining commitment to January 31, 2018 is \$75,000 as of March 31, 2017 (2016 - \$75,000).

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 (approximately CAD \$296,468). 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.

11. SUBSEQUENT EVENTS

Subsequent to the date of these consolidated interim financial statements, 7,000,000 of the Company's outstanding warrants were exercised, generating net proceeds of \$700,000.