



**ROSITA MINING CORPORATION**  
(formerly Midlands Minerals Corporation)

**Unaudited Interim  
Consolidated Financial Statements**

**As at and for the three and nine months ended**

**September 30, 2016 and 2015**

**NOTICE TO READER**

*The accompanying unaudited interim consolidated financial statements of Rosita Mining Corporation (formerly Midlands Minerals Corporation) (the "Company") have been prepared by and are the responsibility of management. The unaudited interim consolidated financial statements as at and for the three and nine months ended September 30, 2016 and 2015 have not been reviewed by the Company's auditors.*

## **MANAGEMENT'S RESPONSIBILITY FOR UNAUDITED INTERIM CONSOLIDATED FINANCIAL REPORTING**

The accompanying unaudited interim consolidated financial statements of Rosita Mining Corporation (formerly Midlands Minerals Corporation) are the responsibility of the management and Board of Directors of the Company.

The unaudited interim consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the unaudited interim consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the unaudited interim consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34 Interim Financial Reporting of International Financial Reporting Standards using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

As the Company is a Venture Issuer (as defined under *National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings*) ("NI 52-109"), the Company and Management are not required to include representations relating to the evaluation, design, establishment and/or maintenance of disclosure controls and procedures ("DC&P) and/or ICFR, as defined in NI 52-109, nor has it completed such an evaluation. Inherent limitations on the ability of the certifying officers to design and implement on a cost effective bases DC&P and ICFR for the issuer may result in additional risks of quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

The Board of Directors is responsible for reviewing and approving the unaudited interim consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited interim consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited interim consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

*"John Cook"*  
Chief Executive Officer  
November 28, 2016

*"Stephen Gledhill"*  
Chief Financial Officer  
November 28, 2016

**Rosita Mining Corporation**  
(formerly Midlands Minerals Corporation)

**Unaudited Interim Consolidated Statements of Financial Position**

(Expressed in Canadian dollars)

<i>As at</i>	September 30, 2015	December 31, 2015
	\$	\$
<b>Assets</b>		
<b>Current assets</b>		
Cash (note 8)	474,301	446,826
Short-term investment (note 9)	10,000	10,000
Other receivables and prepaid expenses (note 10)	27,312	8,033
<b>Total current assets</b>	<b>511,613</b>	<b>464,859</b>
<b>Non-current assets</b>		
Property and equipment (note 16)	7,298	12,514
<b>Total non-current assets</b>	<b>7,298</b>	<b>12,514</b>
<b>Total assets</b>	<b>518,911</b>	<b>477,373</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade payables and accrued liabilities (note 11)	265,963	510,056
Due to related parties (note 13)	-	21,509
<b>Total current liabilities</b>	<b>265,963</b>	<b>531,565</b>
<b>Total liabilities</b>	<b>265,963</b>	<b>531,565</b>
<b>Shareholders' equity</b>		
Share capital (note 12)	19,468,004	19,067,609
Contributed surplus (note 12)	14,272,141	13,932,141
Reserve for warrants (note 12)	418,560	
Deficit	(33,905,757)	(33,053,943)
<b>Total shareholders' equity</b>	<b>252,948</b>	<b>(54,193)</b>
<b>Total liabilities and shareholders' equity</b>	<b>518,911</b>	<b>477,373</b>

Going concern (note 2)

Related-party transactions (note 13)

Approved by the Board on November 28, 2016:

"Nick Tintor"  
Director

"John Cook"  
Director

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

**Rosita Mining Corporation**  
(formerly Midlands Minerals Corporation)

**Unaudited Interim Consolidated Statements of Comprehensive Loss**

(Expressed in Canadian dollars)

	Three months ended		Nine months ended	
	Sept. 30, 2016	Sept. 30, 2015	Sept. 30, 2016	Sept. 30, 2015
	\$	\$	\$	\$
<b>Operating expenses</b>				
Acquisition costs (note 18)	-	1,091,326	-	1,091,326
Depreciation	2,031	1,479	6,400	2,366
Exploration and evaluation expenditures (note 15)	149,591	257,812	291,153	391,262
Office and administrative expenses	33,501	72,971	135,691	228,024
Professional fees	3,737	302,987	14,473	396,316
Salaries and benefits	14,408	203,779	41,858	361,851
Share-based compensation (note 12)	340,000	-	340,000	-
Shareholder information	8,711	59,722	22,405	94,415
<b>Total operating expenses</b>	<b>551,979</b>	1,990,076	<b>851,980</b>	2,565,560
<b>Loss before taxes and other items</b>	<b>(551,979)</b>	(1,990,076)	<b>(851,980)</b>	(2,565,560)
<b>Other items</b>				
Foreign exchange gain (loss)	1,564	10,493	(2,252)	(3,287)
Gain on sale of property (note 14)	-	-	-	311,500
Loss on sale of equipment (note 16)	-	-	-	(7,308)
Other income	1,766	1,962	2,517	9,338
<b>Total other items</b>	<b>3,330</b>	12,455	<b>165</b>	<b>310,243</b>
<b>Net loss</b>	<b>(548,649)</b>	(1,977,621)	<b>(851,980)</b>	(2,255,317)
<b>Basic and fully-diluted loss per common share</b>	<b>(0.01)</b>	(0.06)	<b>(0.02)</b>	(0.09)
<b>Weighted average number of common shares outstanding (000's)</b>	<b>50,784</b>	32,417 <sup>1</sup>	<b>41,313</b>	23,802 <sup>1</sup>

<sup>1</sup>As amended for the Consolidation (note 1).

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

**Rosita Mining Corporation**  
(formerly Midlands Minerals Corporation)

**Unaudited Interim Consolidated Statements of Changes in Equity**  
(Expressed in Canadian dollars)

	Share Capital		Contributed surplus	Warrants	Accumulated Deficit	Total
	Number of shares	Amount				
		\$	\$	\$	\$	\$
Balance at January 1, 2015	19,422,823	18,199,531	13,932,141	-	(30,560,140)	1,571,532
Securities issued to Alder shareholders for transaction	17,324,959	866,268	-	-	-	866,268
Net loss for the period	-	-	-	-	(2,128,318)	(2,128,318)
Balance at September 30, 2015	36,747,782	19,065,799	13,932,141	-	(32,688,458)	309,482
Shares issued for Option payments	36,200	1,810	-	-	-	1,810
Net loss for the period	-	-	-	-	(365,484)	(365,484)
Balance at December 31, 2015	36,783,982	19,067,609	13,932,141	-	(33,053,942)	(54,192)
<b>Shares issued for cash (note 12)</b>	<b>17,000,000</b>	<b>850,000</b>	-	-	-	<b>850,000</b>
<b>Share issuance costs (note 12)</b>	-	<b>(24,605)</b>	-	<b>(24,605)</b>	-	<b>(49,210)</b>
<b>Fair value of issued warrants (note 12)</b>	-	<b>(425,000)</b>	-	<b>425,000</b>	-	-
<b>Fair value of issued finders' warrants (note 12)</b>	-	-	-	<b>18,165</b>	-	<b>18,165</b>
<b>Stock-based compensation</b>	-	-	<b>340,000</b>	-	-	<b>340,000</b>
<b>Net loss for the period</b>	-	-	-	-	<b>(851,815)</b>	<b>(851,815)</b>
<b>Balance at September 30, 2016</b>	<b>53,783,982</b>	<b>19,468,004</b>	<b>14,272,141</b>	<b>418,560</b>	<b>(33,905,757)</b>	<b>252,948</b>

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

**Midlands Minerals Corporation**  
**Unaudited Interim Consolidated Statements of Cash Flow**

*(Expressed in Canadian dollars)*

	Nine months ended	
	Sept. 30, 2016	Sept. 30, 2015
	\$	\$
<b>Operating activities</b>		
Net loss	(851,815)	(2,255,317)
Adjustments to non-cash items:		
Depreciation	6,400	2,366
Gain on sale of property <i>(note 14)</i>	-	(311,500)
Loss on sale of equipment <i>(note 16)</i>	-	7,308
Share-based compensation <i>(note 12)</i>	340,000	-
Net change in non-cash working capital items:		
Other receivables and prepaid expenses	(19,279)	(72,919)
Trade payables and accrued liabilities	(244,093)	408,627
<b>Cash used in operating activities</b>	<b>(768,787)</b>	<b>(1,130,109)</b>
<b>Financing activities</b>		
Issuance of shares (net of share issuance costs of \$31,045)	818,955	-
Repayments to related parties	(21,509)	(23,013)
Repayment of loan assumed on Acquisition <i>(note 18)</i>	-	(20,500)
<b>Cash provided from (used in) investing activities</b>	<b>797,446</b>	<b>(43,513)</b>
<b>Investing activities</b>		
Purchase of equipment	(1,184)	(492)
Proceeds from sale of short-term investment	-	50,000
Proceeds from sale of property <i>(note 14)</i>	-	311,500
Proceeds on sale of equipment <i>(note 16)</i>	-	9,547
Cash acquired on close of Acquisition <i>(note 18)</i>	-	427
<b>Cash provided from investing activities</b>	<b>(1,184)</b>	<b>370,982</b>
<b>Net increase (decrease) in cash</b>	<b>27,475</b>	<b>(802,640)</b>
Cash at beginning of year	446,826	1,549,250
<b>Cash at end of period</b>	<b>474,301</b>	<b>746,610</b>

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

**Rosita Mining Corporation**  
(formerly Midlands Minerals Corporation)

**Notes to the Unaudited Interim Consolidated Financial Statements**  
**As at and for three and nine months ended September 30, 2016 and 2015**

*(Expressed in Canadian dollars)*

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**1. Company description and nature of operations**

Rosita Mining Corporation (“Rosita” or the “Company”), formerly Midlands Minerals Corporation (“Midlands”) is an exploration-stage, publicly-traded Company (TSXV: RSC) incorporated in Ontario, Canada with its registered office address at 120 Adelaide Street West, Suite 2400, Toronto, Ontario, M5H 1T1. The Company is a junior prospecting and natural-resource company, focused on growing a mineral asset inventory to build shareholder value. The Company employs responsible exploration methods in politically stable, low-risk and mining-friendly countries. As the Company’s assets are located outside North America, they are subject to the risk of foreign investment, including additional local taxation and royalties, renegotiation of contracts, possible expropriation, currency exchange fluctuations and political uncertainty.

At a meeting of its shareholders held on July 20, 2015, shareholders of Rosita approved acquiring all of the outstanding shares of Alder Resources Ltd. (“Alder”) (the “Acquisition”), changing the name of Midlands to Rosita Mining Corporation and completing a 1-for-10 share consolidation (the “Consolidation”). The Acquisition was completed on July 24, 2015. See note 18 for details of the Acquisition.

**2. Going concern**

These unaudited interim consolidated financial statements (the “Consolidated Financial Statements”) have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business, as they come due for the foreseeable future. The Company is in the process of exploring and developing its mineral properties and has not yet realized profitable operations. The Company requires additional financing for its working capital and for the costs of exploration and development of its mineral properties. Due to 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. The Company will continue to seek additional forms of debt or equity financing, however, there is no assurance that it will be successful in doing so or that funds will be available on terms acceptable to the Company or at all. The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Company. Further, in order for the Company to carry out its exploration and mining activities, the Company is required to hold certain permits. There is no assurance that the Company’s existing permits will be renewed at their renewal date. These material uncertainties may cast significant doubt upon the entity’s ability to continue as a going concern. Accordingly, the Consolidated Financial Statements do not give effect to adjustments, if any 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 in other than the normal course of business and at amounts that may differ from those shown in the accompanying Consolidated Financial Statements.

At September 30, 2016, the Company’s working capital was \$245,650 (December 31, 2015 – deficit of \$66,706), it had a cash position of \$474,301 (December 31, 2015 – \$446,826) and an accumulated deficit of \$33,905,757 (December 31, 2015 – \$33,053,943) and for the nine-month period ended September 30, 2016, it had used cash of \$768,787 (2015 - \$1,130,109) for operating activities.

The reader is also directed to review **note 6 (ii) – Financial instruments - liquidity risk**

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*(Expressed in Canadian dollars)*

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### **3. Basis of preparation and significant accounting policies**

#### ***Basis of preparation***

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

The Consolidated Financial Statements, including comparatives, have been prepared in accordance with *International Accounting Standards 34 'Interim Financial Reporting'*, using accounting policies consistent with the IFRS issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The Consolidated Financial Statements were approved by the Company's Board of Directors on November 28, 2016.

##### **3.2 Basis of presentation**

The Consolidated Financial Statements have been prepared on the historical cost basis except for certain non-current assets and financial instruments, which are measured at fair value, as explained in note 6. The Consolidated Financial Statements are presented in Canadian dollars, the Company's functional and presentation currency.

##### **3.3 Basis of consolidation**

The Consolidated Financial Statements include the financial statements of the Company and its wholly-owned subsidiaries; Midlands Minerals Ghana Limited, Midenka Resources Limited, Midlands Minerals Tanzania Limited, Manonga Minerals Limited, Harbour Capital Corporation, Alder Resources Ltd. and ALR Nicaragua S.A. (both not included in the comparative amounts since the Acquisition closed on July 24, 2015). Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The consolidated statements of operations include losses of the Company's subsidiaries, including those purchased through the Acquisition (see note 18).

All inter-Company transactions, balances, income and expenses are eliminated on consolidation.

### **4. New accounting standards and interpretations**

At the date of authorization of the Financial Statements, the IASB and IFRIC have issued the following new and revised Standards and Interpretations which are not yet effective for the relevant reporting periods and for which the Company has not early adopted. However, the Company is currently assessing what impact the application of these standards or amendments will have on the consolidated financial statements of the Company.

- On July 24, 2014, the IASB issued the complete IFRS 9 (IFRS 9 (2014)). In November 2009, the IASB issued the first version of IFRS 9, Financial Instruments (IFRS 9 (2009) and subsequently issued various amendments in October 2010, IFRS 9 Financial Instruments (2010) and November 2013 IFRS 9 Financial Instruments (2013). The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight.



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*(Expressed in Canadian dollars)*

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- In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, which supersedes IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, and IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC 31 Revenue – Barter Transactions Involving Advertising Services. IFRS 15 establishes a comprehensive five-step framework for the timing and measurement of revenue recognition. The Company intends to adopt IFRS 15 effective January 1, 2018.

## **5. Capital management**

The Company considers its capital to be its equity, which is comprised of share capital, contributed surplus and deficit, which as at September 30, 2016 totaled \$252,948 (December 31, 2015 – deficit of \$54,193). The Company's capital structure is adjusted based on the funds available to the Company such that it may continue exploration and development of its properties for the mining of minerals that are economically recoverable. The Board does not establish quantitative return on capital criteria, but rather relies on the expertise of management and other professionals to sustain future development of the business.

The Company's properties are in the exploration and development stage and, as a result, the Company currently has no source of operating cash flow. The only sources of future funds presently available to the Company are through the exercise of outstanding stock options, the sale of equity capital of the Company or the sale by the Company of an interest in any of its properties in whole or in part.

Management reviews its capital management approach on an ongoing basis and believes that this approach is reasonable, given the relative size of the Company.

There were no changes in the Company's approach to capital management during the nine months ended September 30, 2016. The Company is not subject to externally imposed capital restrictions.

## **6. Financial instruments**

### **Fair value**

The Company has designated its cash and short-term investment as fair-value-through-profit-and-loss ("FVTPL"), which is measured at fair value. Other receivables are classified for accounting purposes as loans and receivables, which are measured at amortized cost that approximates fair value. Trade payables and accrued liabilities, and due to related parties are classified for accounting purposes as other financial liabilities, which are measured at amortized cost, which also approximates fair value. Fair values of the Company's financial instruments have been characterized below using a fair value hierarchy that reflects the significance of the inputs used in make the measurements.

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**Notes to the Unaudited Interim Consolidated Financial Statements**  
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*(Expressed in Canadian dollars)*

	Level 1	Level 2	Level 3
	\$	\$	\$
Cash	474,301	-	-
Short-term investment	10,000	-	-
Other receivables	-	27,312	-
Trade payables and accrued liabilities	-	(265,963)	-

As at September 30, 2016, the carrying and fair value amounts of the Company's financial instruments are approximately equivalent due to the relatively short periods to maturity of these instruments.

Fair value estimates are made at a specific point in time, based on relevant market information and information about financial instruments. These estimates are subject to and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates

A summary of the Company's risk exposures as it relates to financial instruments are reflected below:

**i) Credit risk**

Credit risk is the risk of loss associated with a counter-party's inability to fulfill its payment obligations. The credit risk is attributable to various financial instruments, as noted below. The credit risk is limited to the carrying value amount carried on the statement of financial position.

- a. **Cash and short-term investment** – Cash is held with major Canadian and Nicaraguan banks and investment institutions and therefore have minimal risk of loss. Short-term investment is held with a major Canadian bank and therefore has minimal risk of loss. In Management's opinion, the risk of loss is minimal with foreign banking institutions and is limited to the amount carried on statement of financial position. Cash held with foreign banks at September 30, 2016, totals \$12,547 (December 31, 2015 - \$8,712).
- b. **Other receivables and prepaid expenses** - The Company is not exposed to any significant risk, with such risk limited to the amount carried on the consolidated statements of financial position.

**ii) Liquidity risk**

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities as they become due. As at September 30, 2016, the Company had working capital of \$245,650 (December 31, 2015 – deficit of \$66,706). In order to meet its future working capital and property exploration expenditures, the Company intends on securing further financing, as required, to ensure that those obligations are properly discharged. If additional financing is raised by the issuance of shares from the treasury of the Company, control of the Company may change and shareholders may suffer additional dilution. If adequate financing is not available, the Company may be required

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*(Expressed in Canadian dollars)*

to delay, reduce the scope of, or eliminate one or more exploration activities or relinquish rights to certain of its interests. Failure to obtain additional financing on a timely basis could cause the Company to forfeit some or all of its interests and reduce or terminate its operations therein. The Company did complete an \$850,000 (gross) financing during the quarter ended September 30, 2016 (see note 12)

**iii) Market risk**

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, commodity prices and/or stock market movements (price risk).

**a. Interest rate risk**

The Company is not exposed to significant interest rate price risk due to the short-term nature of its monetary assets and liabilities. Cash not required in the short term, is invested in short to mid-term guaranteed investment certificates, as appropriate.

**b. Currency risk**

Although the Company's operations are conducted in Canadian dollars, it has entered into contracts and/or agreements that require payment in United States dollars, Ghanaian Cedi and Nicaraguan Córdoba. Management believes that foreign currency risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk.

**c. Price risk**

The Company is not subject to price risk.

**7. Sensitivity analysis**

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a nine-month period:

The Company's funds are kept in Canadian dollars, US dollars, Ghanaian Cedi and Nicaraguan Córdoba at major Canadian, Ghanaian and Nicaraguan financial institutions.

As at September 30, 2016, the Company's exposure to foreign currency balances is as follows:

<b>As at</b>		<b>Sept. 30, 2016</b>	December 31, 2015
<b>Account</b>	<b>Foreign Currency</b>	<b>Exposure (\$CDN)</b>	
Cash	US dollar	<b>105,866</b>	4,699
Cash	Nicaraguan Córdoba	<b>12,547</b>	8,712
Other receivables	Nicaraguan Córdoba	<b>590</b>	-
Accounts payable	Nicaraguan Córdoba	<b>(10,026)</b>	(10,852)
Accounts payable	Ghanaian Cedi	<b>(606)</b>	(606)

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*(Expressed in Canadian dollars)*

	<b>108,371</b>	1,953
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The Company believes that a change of 10% in foreign exchange rates would increase/decrease net loss for the period by approximately \$10,800 (December 31, 2015 - \$195).

**8. Cash**

The balance at September 30, 2016, consists of \$474,301 (December 31, 2015 - \$446,826) on deposit with major Canadian and Nicaraguan banks.

**9. Short-term investment**

As at September 30, 2016, short-term investment consists of a guaranteed investment certificate ("GIC") of \$10,000 (December 31, 2015 - \$10,000), which bears interest at rate of 0.65% per annum and has a maturity date of January 28, 2017.

**10. Other receivables and prepaid expenses**

The Company's receivables arise from two main sources: Harmonized Sales Tax ("HST") recoverable from the Canada Revenue Agency and prepaid amounts to suppliers. These are broken down as follows:

	<b>Sept. 30, 2016</b>	December 31, 2015
	\$	\$
HST recoverable	<b>20,647</b>	4,583
Prepaid insurance	<b>6,665</b>	3,450
<b>Total</b>	<b>27,312</b>	8,033

**11. Trade payables and accrued liabilities**

Trade payables and accrued liabilities of the Company are principally comprised of amounts outstanding for trade purchases relating to exploration activities and amounts payable for operating and financing activities. The usual credit period taken for trade purchases is between 30 to 90 days.

The following is an analysis of the trade payables and accrued liabilities balances:

<b>As at</b>	<b>Sept. 30, 2016</b>	December 31, 2015
	\$	\$
Exploration expenditures	<b>42,449</b>	20,503
Office and administration	<b>4,254</b>	36,320
Legal and audit	<b>207,166</b>	434,379
Shareholder information	<b>12,094</b>	18,854

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*(Expressed in Canadian dollars)*

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<b>Total</b>	<b>265,963</b>	<b>510,056</b>
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**12. Capital stock**

***Share Capital***

**Authorized**

Authorized share capital consists of an unlimited number of common shares of which 36,783,982 (December 31, 2015 – 36,747,782) are issued and outstanding.

On July 20, 2016, the Company closed a non-brokered private placement (the “Private Placement”) of 17,000,000 units (“Units”) at a price of \$0.05 per Unit, for gross proceeds of \$850,000 (the “July Financing”). Each unit is comprised of one common share and one common share purchase warrant, with each warrant entitling the holder to acquire a further common share of the Company at a price of \$0.055 for a period of two years following the date of issuance. The fair value of the issued warrants was calculated at \$425,000 using the Black-Scholes option pricing model with the following variables: Risk-free return rate of 0.6%; dividend yield of 0%, expected volatility of 236.4%, expected life of 2 years and an underlying stock price of \$0.05.

Cash finders’ fees in the amount of \$31,045 and finders’ common shares (“Finders’ Shares”) totalling 363,300 with a fair value of \$18,165, were paid and issued on certain subscriptions. All costs of the issuance were allocated among common shares and warrants based on the relative fair value of the warrants issued.

***Contributed surplus***

The Company has a stock option plan for the purchase of common shares for its directors, officers, employees and other service providers. The aggregate number of common shares reserved for issuance under the stock option plan is a maximum of 10% of the issued and outstanding common shares of the Company. As at September 30, 2016, the Company had 1,386,673 options available for issuance (December 31, 2015 – 1,551,931).

On August 2, 2016, the Company issued an aggregate of 3,400,000 stock options, with a grant-date fair value of \$340,000 (the “Options”) to eligible participants of its stock option plan. The Options vested immediately and are exercisable at \$0.11 each for a period of up to 5 years from the date of issuance. The Black-Scholes option pricing model with the following variables was used to calculate the fair value of the issued options: Risk-free return rate of 0.63%; dividend yield of 0%, expected volatility of 343.7%, expected life of 5 years and an underlying stock price of \$0.105.

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A continuity of the outstanding options to purchase common shares is as follows:

	Sept. 30, 2016		December 31, 2015	
	Weighted Average Exercise Price	No. of Options	Weighted Average Exercise Price	No. of Options
	\$		\$	
Outstanding at beginning of year	0.71	2,108,967	0.60	1,062,500
Transactions during the period:				
Granted	0.11	3,400,000	0.97	1,367,817
Expired	(1.06)	(117,650)	(2.10)	(186,350)
Forfeited	(0.73)	(1,399,592)	(0.50)	(135,000)
<b>Outstanding at end of period</b>	<b>0.18</b>	<b>3,991,725</b>	<b>0.71</b>	<b>2,108,967</b>
<b>Exercisable at end of period</b>	<b>0.18</b>	<b>3,991,725</b>	<b>0.71</b>	<b>2,108,967</b>

The following table provides additional information about outstanding stock options at September 30, 2016:

Range of Exercise Prices	No. of Options Outstanding	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price (\$)
\$0.11 - \$0.27	3,400,000	4.84	0.11
\$0.28 - \$0.50	469,550	2.67	0.45
\$0.51 - \$1.00	27,150	0.09	0.22
\$1.01 - \$1.50	95,025	0.34	1.22
	3,991,725	4.45	0.18

### 13. Related-party transactions

#### **3 months ended September 30, 2016**

During the three months ended September 30, 2016, \$30,000 (2015 - \$45,000) was earned by RG Mining Investments Inc. ("RGMI") for management (including CFO) services and administrative fees pursuant to an agreement that had an original term of one year, excluding non-cash stock-based compensation of \$120,000 (2015 - \$nil). The agreement has been renewed for successive 12-month periods ending September 30. The agreement may be terminated by the Company by providing notice

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within 60 days of the current-year renewal date or upon the criminal conviction, death, disability, incapacity, bankruptcy, insolvency, gross negligence, gross dereliction of duty or gross misconduct, of RGMI. The Company's Chairman of the Board and CFO beneficially own RGMI. Effective March 1, 2016, RGMI agreed to defer payment of \$5,000 of its monthly management fees until the Company completed the July Financing. Upon completion of the July Financing, RGMI was paid these deferred fees and agreed to reduce its monthly fee to \$10,000, effective July 1, 2016.

During the three months ended September 30, 2016, \$12,000 (2015 - \$100,859) was earned by key management personnel or to companies controlled by them, with regard to professional fees, salaries and benefits, excluding non-cash stock-based compensation of \$80,000 (2015 - \$nil). The Company identifies key management personnel as current and former officers of the Company including the President and CEO as well as current and former directors of the Company. The Company's Chairman and CFO are also considered key management but payments are made to RGMI (noted above) pursuant to the management services agreement. Effective February 1, 2016, the Company's CEO agreed to defer payment of the entire monthly management fee of \$4,000 until the Company completed the July Financing. Upon completion of the July Financing, all deferred amounts were paid to the Company's CEO.

In addition, directors earned \$nil (2015 - \$6,000) in director fees and \$80,000 (2015 - \$nil) of non-cash share-based compensation.

210,000 Finders' Shares (included in the total of 363,300 issued with the July Financing – see note 12) with a fair value of \$10,500, were issued to a firm of which a director of the Company is a partner. The Black-Scholes option pricing model with variables disclosed in note 12, was used to calculate the fair value of the Finders' Shares.

***9 months ended September 30, 2016***

During the nine months ended September 30, 2016, \$120,000 (2015 - \$135,000) was earned by RGMI, excluding non-cash stock-based compensation of \$120,000 (2015 - \$nil). \$36,000 (2015 - \$295,441) was paid to key management personnel (excluding the Chairman and CFO) or to companies controlled by them, with regard to professional fees, salaries and benefits, excluding non-cash stock-based compensation of \$80,000 (2015 - \$nil). In addition, directors earned \$nil (2015 - \$18,000) in director fees and earned non-cash share-based compensation of \$80,000 (2015 - \$nil)

***Due to related-parties***

As at September 30, 2016, the statement of financial position includes a balance of \$nil (2015 - \$21,509) due to officers and/or directors of the Company.

**14. Sale of Kaniago gold project**

On February 11, 2015, the Company announced that it has sold its Kaniago gold project in Ghana to a subsidiary of neighbor Asanko Gold Inc., Keegan Resources (Ghana) Limited ("KRGL"). The sale of the non-core asset was an important part of the Company's strategy to reduce costs, liabilities and risk, and to restore liquidity. In January 2015, the Company was granted an outstanding license renewal application from the Minerals Commission in Ghana which fulfilled a pre-condition for the sale, transfer and disposal of all of its right, title and interest in the concessions to KRGL. KRGL will be responsible for any conveyance and registration costs, including any income taxes on the transfers and renewal

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fees that may arise during the transfer process. The sale proceeds amounted to US\$250,000 (C\$311,500), with such amounts received by the Company in February, 2015.

**15. Exploration and evaluation expenditures**

The exploration and evaluation expenditures for the Company are broken down as follows:

	Three months ended		Nine months ended		Cumulative to-date <sup>(3)</sup>
	Sept. 30, 2016	Sept. 30, 2015	Sept. 30, 2016	Sept. 30, 2015	
	\$	\$	\$	\$	\$
<b>Serbia:</b>					
Parlozi project	-	-	-	78,854	-
<b>Total</b>	-	-	-	78,854	-
<b>Ghana:</b>					
Kaniago <sup>(1)</sup>	-	-	-	-	-
Others <sup>(2)</sup>	-	324	-	54,920	1,844,903
<b>Total</b>	-	324	-	54,920	1,844,903
<b>Nicaragua:</b>					
Rosita project <sup>(4)</sup>	149,591	257,488	291,153	257,488	2,607,118
	149,591	257,488	291,153	257,488	2,607,118
<b>Exploration and evaluation expenditures</b>	<b>149,591</b>	<b>257,812</b>	<b>291,153</b>	<b>391,262</b>	<b>4,452,021</b>

<sup>(1)</sup> The Kaniago project was sold in February 2015 - see note 14.

<sup>(2)</sup> Current expenditures under this category include office and admin expenses not directly related to any of the listed projects. Comparative and cumulative amounts include all expenditures that are not directly related to any of the listed projects.

<sup>(3)</sup> Only current properties have comparative amounts and are included in the Cumulative to-date amount.

<sup>(4)</sup> Cumulative amounts include the rights-to-explore acquisition costs of \$1,901,236, incurred to complete the Acquisition (see note 18).

**Rosita project**

On August 29, 2011, Alder entered into an option agreement with Calibre to earn a 65% interest in the Rosita project.

To exercise the option, Alder (and now Rosita) was obligated to pay Calibre:



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(i) An aggregate of 1,000,000 Alder common shares as follows:

- a) 200,000 common shares of Alder within 5 business days of the TSX Venture Exchange approval of the option agreement (issued);
- b) 200,000 common shares of Alder on or before October 3, 2012 (issued);
- c) 200,000 common shares of Alder on or before October 3, 2013 (issued);
- d) 200,000 common shares of Alder on or before October 3, 2014 (issued);
- e) 200,000 common shares of Alder on or before October 3, 2015 (Rosita shares issued as adjusted for the Arrangement and the Consolidation, notes 12 and 18);

and incur

(ii) An aggregate of \$4,000,000 in expenditures on the property as follows:

- a) \$500,000 on or before October 3, 2012 (incurred);
- b) An additional \$750,000 on or before October 3, 2013 (incurred);
- c) An additional \$1,250,000 on or before October 3, 2014 (incurred); and
- d) An additional \$1,500,000 on or before October 3, 2015 (incurred) (see below regarding these expenditures).

As at November 1, 2015, the Company (including previous expenditures by Alder) had fulfilled the requirements under the option agreement and it had earned its 65% interest in the Rosita project.

On June 30, 2014, Alder (assumed by Rosita upon close of the Acquisition) entered into a royalty agreement with Forbes & Manhattan, Inc. ("Forbes") for the settlement of a dated accounts payable totaling \$508,500 (including HST). Alder recorded the consideration of reducing the outstanding amount, by credited the carrying value of the Rosita project. The royalty is a 0.5% net smelter royalty ("NSR") on its 65% interest in the Rosita project (see note 17). The royalty became effective upon the Company earning the 65% interest in the Rosita project. The Company may reacquire the NSR by paying Forbes \$1,000,000 plus \$508,500.

## 16. Property and equipment

Property and equipment is comprised as follows:

<b>Cost</b>	<b>\$</b>
Balance at January 1, 2015	30,802
Additions	16,215
Disposals	(30,802)
<b>Balance December 31, 2015</b>	<b>16,215</b>
Additions	1,184
<b>Balance September 30, 2016</b>	<b>17,399</b>
<hr/>	
<b>Accumulated depreciation</b>	<b>\$</b>
Balance at January 1, 2015	(13,060)
Depreciation	(4,589)

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Disposals	13,948
<b>Balance December 31, 2015</b>	<b>(3,701)</b>
Depreciation	(6,400)
<b>Balance June 30, 2016</b>	<b>(10,101)</b>

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<b>Net value</b>	<b>\$</b>
<b>Balance December 31, 2015</b>	<b>12,514</b>
<b>Balance June 30, 2016</b>	<b>7,298</b>

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During the 9 months ended September 30, 2016, the Company acquired \$1,184 of equipment (2015 - disposed of equipment for net proceeds of \$9,547 and a loss of \$7,308).

#### **17. Commitments and contractual obligations**

The Company is obligated to pay a 0.5% net smelter royalty (“NSR”) on its 65% interest in the Rosita project (see note 15).

The Company’s activities are subject to environmental regulation (including regular environmental impact assessments and permitting) in each of the jurisdictions in which its mineral properties are located. Such regulations cover a wide variety of matters including, without limitation, prevention of waste, pollution and protection of the environment, labour relations and worker safety. The Company may also be subject under such regulations to clean-up costs and liability for toxic or hazardous substances which may exist on or under any of its properties or which may be produced as a result of its operations. It is likely that environmental legislation and permitting will evolve in a manner which will require stricter standards and enforcement. This may include increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a higher degree of responsibility for companies, their directors and employees. At present, the Company has complied with existing laws with regard to environmental legislation.

The Company has not determined and is not aware whether any provision for such costs is required and is unable to determine the impact on its financial position, if any, of environmental laws and regulations that may be enacted in the future due to the uncertainty surrounding the form that these laws and regulations may take.

#### **18. Acquisition of Alder Resources Ltd.**

On July 24, 2015, Rosita and Alder completed the Acquisition by way of a plan of arrangement (the “Arrangement”). Pursuant to the Arrangement, shareholders of Alder received consideration of 1.81 common shares of Rosita (each whole common share, a “Rosita Share”) per Alder share outstanding (the “Alder Shares”), calculated on a pre-Consolidation basis.

Each holder of a warrant to acquire Alder Shares (each, an “Alder Warrant”) outstanding immediately prior to July 24, 2015, will receive on subsequent exercise of such holder’s Alder Warrant, in accordance with its terms, for the same aggregate consideration payable on exercise of such warrant, 1.81 of a Rosita Share, calculated on a pre-Consolidation basis.

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Each holder of an Alder option to acquire Alder Shares (each, an "Alder Option") outstanding immediately prior to July 24, 2015, will receive on subsequent exercise of such holder's Alder Option, in accordance with its terms, for the same aggregate consideration payable on exercise of such option, 1.81 of a Rosita Share, calculated on a pre-Consolidation basis.

In addition, Rosita has paid further consideration by acquiring \$100,000 of unsecured, non-convertible debentures (the "Debenture") bearing interest at a rate of 10% per annum, from Alder. The Debenture matured on July 24, 2015.

Upon completion of, and in connection with, the Arrangement, Rosita consolidated the outstanding Rosita Shares (including the Rosita Shares issued to former holders of Alders Shares under the Arrangement) on the basis of one new common share for every ten existing common shares (1-for-10) (the "Consolidation") and changed its name to Rosita Mining Corporation.

**Purchase price consideration**

The Acquisition is being treated as an asset acquisition for accounting purposes as Alder does not meet the definition of a business, as defined in IFRS 3, *Business Combinations*. The purchase consideration has been allocated to the fair value of assets acquired and liabilities assumed as at July 24, 2015. The fair value of the purchase consideration was based on the closing stock price of Rosita (then Midlands) on July 23, 2015 (being the day prior to the closing of the Acquisition), as quoted on stockwatch.com on July 24, 2015.

	Fair value
	\$
Consideration:	
17,324,959 <sup>(1)</sup> common shares of Rosita at \$0.05 <sup>(1)</sup> per share	866,268 <sup>(1)</sup>
Fair value of Alder's options and warrants <sup>(2)</sup>	-
Other acquisition costs (the Debenture)	100,000
<b>Purchase consideration</b>	<b>966,268</b>

	Purchase price allocation
	\$
Cash	427
Other receivables and prepaids	5,225
Equipment	15,724
Acquisition costs-rights to explore <sup>(3)</sup> (note 15)	1,091,326
Account payable and accrued liabilities	(125,934)
Loans payable	(20,500)
<b>Purchase consideration</b>	<b>966,268</b>

<sup>(1)</sup>After adjusting for the Consolidation and non-issuance of fractional shares.

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<sup>(2)</sup>Options issued to Alder option holders were revalued using the Black-Scholes weighted average parameters below. The subsequent value was not material and therefore no adjustment was made. The warrants issued to Alder warrant holders were valued using the Black Scholes option pricing model with the following weighted-average parameters: Dividend yield – nil; expected volatility – 214.1%, risk-free interest rate – 0.60%, expected life (years) – 1.81 and Rosita common share price - \$0.005.

<sup>(3)</sup>In completing the Acquisition, the Company acquired the “rights” to explore the Rosita project. For accounting purposes, the Company considers these to be acquired rights to explore pursuant to IFRS 6 and accordingly has expensed these costs pursuant to its accounting policies.

**19. Segmented information**

**Operating Segments**

At September 30, 2016, the Company's operations comprise a single reporting operating segment engaged in mineral exploration in Nicaragua and Ghana (the latter country in 2015 only). The Company's corporate division only earns revenues that are considered incidental to the activities of the Company and therefore does not meet the definition of an operating segment. As the operations comprise a single reporting segment, amounts disclosed in the Consolidated Financial Statements also represent operating segment amounts.

**Geographic Segments**

Management has organized the Company's reportable segments by geographic area. The Nicaraguan, Ghanaian and Serbian (the latter 2 for 2015 only) segments are responsible for that country's mineral exploration and production activities while the Canadian segment manages corporate head office activities. Information concerning Rosita's reportable segments is as follows:

	Three months ended		Nine months ended	
	Sept. 30, 2016	Sept. 30, 2015	Sept. 30, 2016	Sept. 30, 2015
	\$	\$	\$	\$
<b>Net loss</b>				
Canada	<b>(379,881)</b>	(1,719,809)	<b>(577,706)</b>	(1,864,055)
Nicaragua	<b>(168,768)</b>	(257,440)	<b>(274,109)</b>	(257,488)
Serbia	-	-	-	(78,855)
Ghana	-	(372)	-	(54,919)
	<b>(548,649)</b>	(1,977,621)	<b>(851,815)</b>	(2,255,317)

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	Nine months ended	
	Sept. 30, 2016	Sept. 30, 2015
<b>Significant non-cash items</b>		
Ghana:		
Loss on sale of equipment	-	(7,308)
Gain on sale of property	-	311,500
Acquisition costs-rights to explore <i>(note 18)</i>	-	(1,091,326)
Share-based compensation	<b>340,000</b>	-
	<b>340,000</b>	(787,134)
As at	September 30, 2016	December 31, 2015
<b>Identifiable assets</b>		
Canada	<b>498,476</b>	456,147
Nicaragua	<b>20,435</b>	21,226
	<b>518,911</b>	477,373