RIVERSIDE RESOURCES INC.

(An Exploration Stage Enterprise)

(Expressed in Canadian Dollars)

Consolidated Financial Statements

September 30, 2019 and 2018

RIVERSIDE RESOURCES LTD.

Index to Consolidated Financial Statements

September 30, 2019

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Riverside Resources Inc.

Opinion

We have audited the accompanying consolidated financial statements of Riverside Resources Inc. (the "Company"), which comprise the consolidated statements of financial position as at September 30, 2019 and 2018 and the consolidated statements of loss and comprehensive loss, cash flows and changes in shareholders' equity for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor’s report is Catherine Tai.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

January 28, 2020

RIVERSIDE RESOURCES INC.
(An Exploration Stage Enterprise)
Consolidated Statements of Financial Position as at September 30,
(Expressed in Canadian Dollars)

	Note	2019	2018
Assets			
Current assets:			
Cash and cash equivalents	15	$ 3,443,996	$ 2,060,078
Short-term investments	5	1,698,383	808,746
Receivables	6	487,391	484,879
Prepaid expenses	7	101,498	108,705
		5,731,268	3,462,408
Equipment	8	173,250	62,451
Exploration and evaluation assets	9	6,436,939	5,344,749
		$ 12,341,457	$ 8,869,608
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable and accrued liabilities	10	$ 1,175,052	$ 126,731
Provision liability	18	1,103,819	-
		2,278,871	127,731
Shareholders' equity:			
Capital stock	11	27,344,879	24,590,428
Reserves	11	3,292,422	3,194,415
Deficit		(19,227,987)	(17,917,156)
Accumulated other comprehensive loss		(1,346,728)	(1,124,810)
		10,062,586	8,742,877
		$ 12,341,457	$ 8,869,608

Nature and continuance of operations (Note 1)
Subsequent events (Note 19)

On behalf of the Board on January 28, 2020

"Walter Henry" Director — Water Henry

"Carol Ellis" Director — Carol Ellis

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

RIVERSIDE RESOURCES INC.
(An Exploration Stage Enterprise)
Consolidated Statements of Loss and Comprehensive Loss
For the years ended September 30,
(Expressed in Canadian Dollars)

	Note	2019	2018
Expenses			
Consulting fees	13	$ 288,237	$ 312,371
Depreciation	8	21,701	23,641
Director fees	13	39,000	48,000
Foreign exchange gain		(21,828)	(97,328)
General and administration		107,822	109,414
Investor relations	13	246,946	187,563
Professional fees		148,486	120,023
Property investigation and evaluation	13	10,879	30,312
Rent		77,392	125,668
Share-based payments	11,13	96,397	147,958
Finance income		(42,591)	(25,331)
Gain on disposal of equipment	8	(32,852)	-
Other income	5, 13	(1,305,993)	(151,371)
Write-down of exploration and evaluation assets	9	96,062	577,979
Unrealized loss (gain) on short-term investments	5	339,689	(466,485)
Realized loss on short-term investments	5	137,304	520,281
Gain on debt settlement	13	(26,846)	-
Provision tax penalty	18	1,131,026	-
Net loss for the year		(1,310,831)	(1,462,695)
Foreign exchange movements		(221,918)	50,931
Comprehensive loss for the year		(1,532,749)	(1,411,764)
Loss per share – basic and diluted		$ (0.02)	$ (0.03)
Weighted average number of common shares outstanding – basic and diluted		54,363,054	44,475,012

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

RIVERSIDE RESOURCES INC.

(An Exploration Stage Enterprise)
Consolidated Statements of Cash Flows for the years ended September 30,
(Expressed in Canadian Dollars)

	Note	2019	2018
OPERATING ACTIVITIES			
Loss for the year		$ (1,310,831)	$ (1,462,695)
Items not involving cash			
Depreciation	8	21,701	23,641
Share-based payments	11	96,397	147,958
Write-down of exploration and evaluation assets	9	96,062	577,979
Realized loss on short-term investments	5	137,304	520,281
Unrealized (gain) loss on short-term investments	5	339,689	(466,485)
Gain on disposal of equipment	8	(32,852)	-
Other income	5	(1,305,993)	-
Change in non-cash working capital items:			
Prepaid expenses		7,207	(35,935)
Receivables		13,488	(27,368)
Accounts payable and accrued liabilities		(56,988)	42,650
Provision liability	18	1,103,819	-
		(890,997)	(679,974)
INVESTING ACTIVITIES			
Exploration advances – accounts payable and accrued liabilities		1,019,882	(89,633)
Exploration and evaluation assets		(1,268,483)	(1,208,022)
Purchase of equipment	8	(136,072)	-
Deposit		-	25,525
Sale of short-term investments	5	23,363	242,750
		(361,310)	(1,029,380)
FINANCING ACTIVITIES			
Proceeds from share issuance, net of issuance costs	11	2,633,361	-
		2,633,361	-
Effect of foreign exchange on cash and cash equivalents		2,864	(149,567)
Increase (decrease) in cash and cash equivalents		1,383,918	(1,858,921)
Cash and cash equivalents, beginning of the year		2,060,078	3,918,999
Cash and cash equivalents, end of the year		$ 3,443,996	$ 2,060,078

Supplemental disclosures with respect to cash flows (Note 15)

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

RIVERSIDE RESOURCES INC.
(An Exploration Stage Enterprise)
Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

		Capital Stock					
	Note	Shares	Amount	Reserves	Deficit	Accumulated other comprehensive loss	Total
Balance at September 30, 2017		44,179,313	$ 24,472,028	$ 3,046,457	$ (16,454,461)	$ (1,175,741)	$ 9,888,283
Issued for:							
Performance bonus shares	11	230,000	64,400	-	-	-	64,400
Shares issued for mineral property	9	200,000	54,000	-	-	-	54,000
Share-based payments	11	-	-	147,958	-	-	147,958
Loss for the year		-	-	-	(1,462,695)	-	(1,462,695)
Foreign exchange movements		-	-	-	-	50,931	50,931
Balance at September 30, 2018		44,609,313	24,590,428	3,194,415	(17,917,156)	(1,124,810)	8,742,877
Issued for:							
Private placement	11	17,516,875	2,631,751	1,610			2,633,361
Performance bonus shares	11	265,000	47,700	-	-	-	47,700
Shares issued for mineral property	9	450,000	75,000	-	-	-	75,000
Share-based payments	11	-	-	96,397	-	-	96,397
Loss for the year		-	-	-	(1,310,831)	-	(1,310,831)
Foreign exchange movements		-	-	-	-	(221,918)	(221,918)
Balance at September 30, 2019		62,841,188	$ 27,344,879	$ 3,292,422	$ (19,227,987)	$ (1,346,728)	$ 10,062,586

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

1. Nature and continuance of operations

Riverside Resources Inc. (the "Company") is a mineral exploration and evaluation company operating as a prospect generator listed on the TSX Venture Exchange (the "Exchange") under the symbol "RRI" and is engaged in the acquisition, exploration and evaluation of exploration and evaluation assets in the Americas including Canada, the United States and Mexico.

The Company's head office address is 550 – 800 West Pender Street, Vancouver, British Columbia, Canada V6C 2V6.

On March 22, 2019, the Company incorporated a new subsidiary, RRM Minas S DE RL de C.V.

The Company's ability to continue operations is uncertain and is dependent upon the ability of the Company to obtain necessary financing to meet the Company's liabilities and commitments as they become payable, acquiring assets or a business, and the ability to generate future profitable production or operations or sufficient proceeds from the disposition thereof. The outcome of these matters cannot be predicted at this time. The consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations. Management believes that the Company has sufficient working capital to maintain its operations and activities for the next fiscal year.

2. Basis of presentation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as and measured at their fair value. All dollar amounts presented are in Canadian dollars unless otherwise specified. In addition, the financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

3. Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

4. Significant accounting policies

(a) Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All inter-company transactions and balances have been eliminated upon consolidation.

Name of subsidiary	Country of incorporation	Proportion of ownership interest	Principal activity
Riverside Resources Mexico, S.A. de C.V.	Mexico	100%	Mineral exploration
RRM Exploracion, S.A.P.I. de C.V.	Mexico	100%	Mineral exploration
RRM Minas S DE RL de C.V.	Mexico	100%	Mineral exploration
RRI Exploration Inc.	United States	100%	Mineral exploration
RRI Holdings Limited	Canada	100%	Holding company
Riverside Resources (BC) Inc.	Canada	100%	Mineral exploration

4. Significant accounting policies (continued)

(b) Foreign currency translation

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company, Riverside Resources (BC) Inc., RRI Holdings Limited, and RRI Exploration Inc. is the Canadian dollar and the Mexican Peso for Riverside Resources Mexico, S.A. de C.V., RRM Exploration S.A.P.I. de C.V. and RRM Minas S DE RL de C.V. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

Transactions in currencies other than the functional currency for an entity are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the period end exchange rate while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the profit or loss.

The subsidiaries with a Mexican Peso functional currency have been translated into Canadian dollars as follows: assets and liabilities are translated at year end exchange rates, while revenues and expenses are translated using average rates over the year. Translation gains and losses relating to the foreign operations are included in accumulated other comprehensive loss as a separate component of shareholders' equity.

(c) Short-term investments and cash equivalents

Cash equivalents include: Canadian guaranteed investment certificates that are readily convertible into cash or have maturities at the date of purchase of ninety days or less; and short-term investments include: marketable securities in publicly traded and private companies. Both types of instruments are classified as financial assets at fair value through profit or loss.

(d) Equipment

Equipment is carried at cost less accumulated depreciation and impairment losses. Depreciation is calculated using the declining balance method at the following annual rates:

Computer hardware	45%
Exploration equipment	20%
Furniture & fixtures	20%
Vehicles	30%

(e) Exploration and evaluation assets

Pre-exploration costs are expensed as incurred. The Company records exploration and evaluation asset interests, which consist of the right to explore for mineral deposits, at cost. The Company records deferred exploration costs, which consist of costs attributable to the exploration of exploration and evaluation asset interests, at cost. All direct and indirect costs relating to the acquisition and exploration of these exploration and evaluation asset interests are capitalized on the basis of specific claim blocks until the exploration and evaluation asset interests to which they relate are placed into production, disposed of through sale, or where management has determined there to be an impairment. If an exploration and evaluation asset interest is abandoned, the exploration and evaluation asset interests and deferred exploration costs will be written off to operations in the period of abandonment.

4. Significant accounting policies (continued)

(e) Exploration and evaluation assets (continued)

On an on-going basis, the capitalized costs are reviewed on a property-by-property basis to consider if there is any impairment on the subject property. Management's determination for impairment is based on: 1) whether the Company's exploration programs have significantly changed, such that previously identified resource targets are no longer being pursued; 2) whether exploration results to date are promising and whether additional exploration work is being planned in the foreseeable future; or 3) whether remaining lease terms are insufficient to conduct necessary studies or exploration work.

The recorded cost of exploration and evaluation asset interests is based on cash paid and the assigned value of share consideration issued (where shares are issued) for exploration and evaluation asset interest acquisitions and exploration costs incurred. The recorded amount may not reflect the recoverable value, as this will be dependent on future development programs, the nature of the mineral deposit, commodity prices, adequate funding and the ability of the Company to bring its projects into production.

Property option payments received from its farm-out partners are recorded as a reduction to the capitalized cost of exploration and evaluation assets. Once the capitalized cost is recovered, they are recorded as property income. Management fees received pursuant to exploration alliance arrangements are recorded as a reduction in consulting fees.

(f) Provision for environmental rehabilitation

The Company recognizes liabilities for legal or constructive obligations associated with the retirement of exploration and evaluation assets and equipment. The net present value of future rehabilitation costs is capitalized to the related asset along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision.

The increase in the provision due to the passage of time is recognized as interest expense. The Company currently does not have any significant provisions for environmental rehabilitation.

(g) Impairment of long-lived assets

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

4. Significant accounting policies (continued)

(g) Impairment of long-lived assets (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(h) Loss per share

Basic loss per common share is calculated by dividing net loss available to common shareholders by the weighted-average number of shares outstanding during the year. The effect of dilutive stock options, warrants and similar instruments on loss per share is recognized on the use of the proceeds that could be obtained upon of these and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year. Diluted loss per share excludes all dilutive potential common shares if their effect is anti-dilutive.

(i) Critical accounting estimates, judgments, and assumptions

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, and contingent liabilities at the date of the financial statements and reported amount of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Information about significant areas of estimation uncertainty in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are noted below with further details of the assumptions contained in the relevant note.

Exploration and evaluation assets

Exploration and evaluation costs are initially capitalized as intangible exploration assets with the intent to establish commercially viable reserves. The Company is required to make estimates and judgments about the future events and circumstances regarding whether the carrying amount of intangible exploration assets exceeds its recoverable amount. Recoverability is dependent on various factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development and upon future profitable production or proceeds from the disposition of the exploration and evaluation assets themselves. Additionally, there are numerous geological, economic, environmental and regulatory factors and uncertainties that could impact management's assessment as to the overall viability of its properties or the ability to generate future cash flows necessary to cover or exceed the carrying value of the Company's exploration and evaluation assets properties.

Share-based payments

Charges for share-based payments are based on the fair value on the date the awards are granted. Stock options are valued using the Black-Scholes option pricing model, and inputs to the model include assumptions on share price volatility, discount rates and expected life outstanding.

4. Significant accounting policies (continued)

(i) Critical accounting estimates, judgments, and assumptions (continued)

Contingencies

Contingencies are resolved only when one or more events transpire. As a result, the assessment of contingencies inherently involves estimating the outcome of future events. As at September 30, 2019, the Company recorded a provision with respect to a legal dispute with the Government of Mexico. See Note 18.

Critical accounting judgments

- the measurement of income taxes payable and deferred tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. Deferred tax assets require management to assess the likelihood that the Company will generate taxable income in future periods in order to utilize recognized deferred tax assets;
- going concern presentation of the consolidated financial statements as discussed in Note 1, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due; and
- management's determination of the functional currency of the Company and each of its subsidiaries requires judgment based on the factors outline in IAS 21, *The Effects of Changes in Foreign Exchange Rates.*

(j) Income taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they revert, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current income tax liabilities and assets, and they relate to income taxes levied by the same tax authority for the same taxable entity. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related income tax benefit will be realized.

(k) Financial instruments

The Company has adopted the new accounting standard IFRS 9, *Financial Instruments* ("IFRS 9"), effective October 1, 2018. The new standard sets out requirements for classifying, recognizing and measuring financial assets and liabilities. This standard replaces IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39").

IFRS 9, *Financial Instruments*

IFRS 9 uses a single approach to determine whether a financial asset is classified and 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 and the contractual cash flow characteristics of the financial asset. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9 and, therefore, the accounting policy with respect to financial liabilities is unchanged.

4. Significant accounting policies (continued)

(k) Financial Instruments (continued)

The following is the new accounting policy for financial assets under IFRS 9:

Financial assets

The Company will now classify its financial assets in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI") or at amortized cost. The determination of the classification of financial assets is made at initial recognition. Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVTPL; for other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI.

The Company's accounting policy for each of the categories is as follows:

Financial assets at FVTPL: Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed as incurred. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets held at FVTPL are recognized in profit or loss.

Financial assets at FVTOCI: Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income (loss).

Financial assets at amortized cost: A financial asset is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the asset's contractual cash flows are comprised solely of payments of principal and interest. They are classified as current assets or non-current assets based on their maturity date and are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

Impairment of financial assets at amortized cost: The Company assesses all information available, including on a forward-looking basis, the expected credit losses associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as the reporting date, with the risk of default as at the date of initial recognition, based on all information available, and reasonable and supportive forward-looking information.

The following table shows the classification of the Company's financial assets and liabilities under IFRS 9 and IAS 39:

Financial asset or liability	IFRS 9 Classification	IAS 39 Classification
Cash and cash equivalents	FVTPL	FVTPL
Short-term investments	FVTPL	FVTPL
Receivable	Amortized cost	Loans and receivables
Accounts payable and accrued liabilities	Amortized cost	Other financial liabilities

As the accounting reflected by the adoption of IFRS 9 under the above classifications and election is similar to that of IAS 39, there was no impact on the Company's financial statements and no restating of prior periods was required.

4. Significant accounting policies (continued)

(k) Financial Instruments (continued)

Financial liabilities

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

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

Other financial liabilities - This category comprises liabilities initially recognized at fair value less directly attributable transaction costs. Subsequently, they are measured at amortized cost using the effective interest method.

The Company has classified its cash and cash equivalents and short-term investments as FVTPL. The Company's receivables and accounts payable and accrued liabilities are classified as amortized cost. Refer to Note 17 for additional details.

(l) Share-based payments

The stock option plan allows the Company's employees, directors and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based payments expense with a corresponding increase in shareholders' equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. Consideration paid on the exercise of stock options is credited to share capital and the fair value of the options is reclassified from reserves to capital stock.

The fair value is measured at grant date and each tranche is recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes Option Pricing Model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the number of stock options that are expected to vest.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

(m) Capital stock

Common shares are classified as shareholders' equity. Incremental costs directly attributable to the issue of common shares and stock options are recognized as a deduction from shareholders' equity. Common shares issued for consideration other than cash, are valued based on their market value at the date the shares are issued.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of common shares issued in the private placements to be the more easily measurable component and the common shares are valued at their fair value, as determined by the closing market price on the announcement date. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as reserves.

4. Significant accounting policies (continued)

(n) Management fees

Management fees are earned on exploration alliance arrangements where the Company is the operator of the underlying exploration program. Management fees received pursuant to exploration alliance arrangements are recorded as a reduction in consulting fees.

New Accounting Policies Adopted

The following accounting standards were adopted by the Company effective October 1, 2018:

IFRS 9, *Financial Instruments* (new; replaces IAS 39) - see Note 4(k)

IFRS 15, ***Revenue from Contracts with Customers*** (new; replaces IAS 18)

On October 1, 2018, the Company adopted IFRS 15, which supersedes IAS 18. 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*; 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 single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

The Company is a junior mining exploration company, and it currently does not generate any revenue from contracts with customers. Therefore, the adoption of this standard did not have a significant impact on the Company's consolidated financial statements.

New Accounting Pronouncements Not Yet Adopted

IFRS 16- *Leases* (new; replaces IAS 17)

On October 1, 2019, the Company will adopt IFRS 16, which supersedes IAS 17- Leases ("IAS 17"). The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

The Company expects to use the modified retrospective method. Under this method, financial information will not be restated and will continue to be reported under the accounting standards in effect for those periods. IFRS 16 requires lessees to recognize a right of use of asset and a lease obligation at the lease commencement date. The Company has assessed its monthly office rent payments and concluded that it does not meet the definition of a lease in the context of IFRS 16. As such, the adoption of the standard is not expected to have an impact on the Company's consolidated financial statements.

(Expressed in Canadian Dollars)

4. Significant accounting policies (continued)

New Accounting Pronouncements Not Yet Adopted (continued)

IFRIC 23 - *Uncertainty over Income Tax Treatments*:

On October 1, 2019, the Company will adopt IFRIC 23, which is a new standard to clarify the accounting for uncertainties in income taxes. The interpretation provides guidance and clarifies the application of the recognition and measurement criteria in IAS 12 "Income Taxes" when there is uncertainty over income tax treatments. The adoption of this standard is not expected to have a significant impact on the Company's consolidated financial statements.

5. Short-term investments

Short-term investments include marketable securities received as a result of property option agreements. Marketable securities comprise common shares in publicly traded and private companies as follows:

	September 30, 2019			September 30, 2018		
	Number of shares	Cost	Fair market value	Number of shares	Cost	Fair market value
Arcus Development Group Inc.	29,000	$ 11,020	$ 870	29,000	$ 11,020	$ 1,160
Arizona Metals Corp. (formerly Croesus Gold Corp.) ("Croesus") [1]	7,300,000	1,940,010	1,277,500	3,000,000	300,000	650,000
Guerrero Exploration Inc.	1,926,000	343,049	-	1,926,000	343,049	-
E3 Metals Corp. [2]	-	-	-	55,087	160,667	22,586
Sierra Madre Developments Inc. [3]	1,250,322	1,103,791	50,013	1,250,322	1,103,791	-
Silver Viper Minerals Corp.	1,000,000	250,000	270,000	1,000,000	250,000	135,000
Sinaloa Resources Corp. [4]	1,000,000	100,000	100,000	-	-	-
		$ 3,747,870	$ 1,698,383		$ 2,168,527	$ 808,746

(1) On August 1, 2019, Croesus completed its qualifying transaction of a business combination with Ring the Bell Capital Corp. In connection with the transaction, Croesus changed its name to "Arizona Metals Corp." and consolidated its common shares on the basis of two and a half (2.5) old shares for one (1) new share. This share consolidation had no impact on the number of shares held by the Company as per the terms of the qualifying transaction.

During the year ended September 30, 2019, the Company had received an additional 4,300,000 shares from Arizona Metals Corp. as a result of the Sugarloaf Peak option agreement and amending agreement that the Company entered into December 2014 and 2015. The Sugarloaf Peak property has a carrying value of $nil, therefore the Company recognized $1,289,993 in other income during the year ended September 30, 2019.

(2) During the year ended September 30, 2019, the Company sold all 55,087 shares for net proceeds of $23,363.

(3) The common shares of Sierra Madre Developments Inc. resumed trading on the NEX branch of the TSX-V on January 30, 2019, and consolidated its common shares on the basis of ten old shares for one new share on February 15, 2019.

(4) On February 20, 2019, the Company received 1,000,000 shares of Sinaloa Resources Corp, for the fair market value of $100,000, as per the option agreement for the La Silla property. Please refer to Note 9 (d) for additional details.

(Expressed in Canadian Dollars)

6. Receivables

Receivables mainly consist of tax refunds from the Federal Government of Canada and Mexico.

		September 30, 2019		September 30, 2018
GST recoverable amounts in Canada	$	15,070	$	13,381
IVA recoverable amounts in Mexico		432,698		448,039
Land taxes recovery in Mexico		22,823		23,459
Other receivable		16,800		-
	$	487,391	$	484,879

7. Prepaid expenses

The breakdown of prepaid expenses is as follows:

		September 30, 2019		September 30, 2018
Conferences and courses	$	39,479	$	32,631
Expense advances		39,342		44,955
Insurance		10,216		18,599
Rent		12,461		12,520
	$	101,498	$	108,705

(Expressed in Canadian Dollars)

8. Equipment

	Computer hardware	Exploration equipment	Furniture & fixtures	Vehicles	TOTAL
Cost					
Balance at September 30, 2017	$ 85,955	$ 126,357	$ 34,121	$ 128,399	$ 374,832
Disposals	-	-	-	(16,649)	(16,649)
Foreign exchange movement	86	714	144	716	1,660
Balance at September 30, 2018	$ 86,041	$ 127,071	$ 34,265	$ 112,466	$ 359,843
Additions	17,458	-	-	118,614	136,072
Disposals	-	-	-	(54,408)	(54,408)
Foreign exchange movement	(468)	(3,243)	(654)	(3,653)	(8,018)
Balance at September 30, 2019	**$ 103,031**	**$ 123,828**	**$ 33,611**	**$ 173,019**	**$ 433,489**
Accumulated depreciation					
Balance at September 30, 2017	$ (81,481)	$ (92,839)	$ (25,351)	$ (89,057)	$ (288,728)
Depreciation	(2,230)	(6,614)	(1,734)	(13,066)	(23,644)
Disposals	-	-	-	16,649	16,649
Foreign exchange movement	(92)	(668)	(134)	(775)	(1,669)
Balance at September 30, 2018	$ (83,803)	$ (100,121)	$ (27,219)	$ (86,249)	$ (297,392)
Depreciation	(1,673)	(5,349)	(1,399)	(13,280)	(21,701)
Disposals	-	-	-	54,408	54,408
Foreign exchange movement	404	2,704	532	806	4,446
Balance at September 30, 2019	**$ (85,072)**	**$ (102,766)**	**$ (28,086)**	**$ (44,315)**	**$ (260,239)**
Net book value					
Balance at September 30, 2018	$ 2,238	$ 26,950	$ 7,046	$ 26,217	$ 62,451
Balance at September 30, 2019	**$ 17,959**	**$ 21,062**	**$ 5,525**	**$ 128,704**	**$ 173,250**

(Expressed in Canadian Dollars)

9. Exploration and evaluation assets

For the year ended September 30, 2019

	Penoles Mexico	Tajitos Mexico	La Silla Mexico	Australia Mexico	Thor Mexico	Ariel Mexico	Cecilia Mexico	Teco Mexico	Suaqui Verde Mexico	Los Cuarentas Mexico	La Union Mexico	Western Ontario Canada	Total
Acquisition costs	$ 28,937	$ 81,267	$ 3,432	$ 666	$ 8,699	$ 1,931	$ 193,071	$ 11,015	$ 2,900	$ 59,077	$ -	$ 3,541	$ 394,536
Exploration costs:													
Assaying	2,306	-	-	2,110	-	-	16,491	-	-	-	-	5,368	26,275
Field & camp costs	12,135	15,723	4,304	35	-	952	6,582	2,370	1,260	151	736	2,548	46,796
Geological consulting	226,359	130,329	73,184	4,056	6,974	10,956	296,843	15,979	18,746	3,075	2,700	41,162	830,363
Transport & support	48,250	42,833	13,453	965	15,044	6,666	57,591	2,239	1,275	6,644	1,286	35,967	232,213
Total current exploration costs	289,050	188,885	90,941	7,166	22,018	18,574	377,507	20,588	21,281	9,870	4,722	85,045	1,135,647
Professional & other fees:													
Professional consulting	6,000	-	12,000	-	-	191	11,000	-	-	-	-	50,000	79,191
Legal fees	10,429	21,543	591	-	-	-	2,442	246	-	-	404	-	35,655
Others	-	6,069	-	-	-	-	5,725	-	-	-	-	-	11,794
Total current professional & other fees	16,429	27,612	12,591	-	-	191	19,167	246	-	-	404	50,000	126,640
Total costs incurred during the year	334,416	297,764	106,964	7,832	30,717	20,696	589,745	31,849	24,181	68,947	5,126	138,586	1,656,823
Balance, Opening	1,274,557	2,276,354	441,391	7,694	65,701	60,890	1,060,703	157,459	-	-	-	-	5,344,749
Recoveries	(141,213)	-	(139,000)	-	-	-	-	-	-	-	-	-	(280,213)
Write off	-	-	-	-	(96,062)	-	-	-	-	-	-	-	(96,062)
Foreign exchange movements	(107,177)	(53,305)	(6,512)	(210)	(356)	(971)	(14,354)	(4,902)	153	(677)	(47)	-	(188,358)
Balance, End of the year	$ 1,360,583	$ 2,520,813	$ 402,843	$ 15,316	$ -	$ 80,615	$ 1,636,094	$ 184,406	$ 24,334	$ 68,270	$ 5,079	$ 138,586	$ 6,436,939
Cumulative costs:													
Acquisition	$ 3,980,639	$ 955,151	$ 50,934	$ 1,727	$ 30,615	$ 5,291	$ 427,068	$ 54,626	$ 2,900	$ 59,077	$ -	$ 3,541	$ 5,571,569
Exploration	1,926,182	1,485,941	470,126	13,728	54,885	64,939	951,672	107,900	21,281	9,870	4,722	85,045	5,196,291
Professional & other fees	700,846	294,041	52,133	-	7,237	10,519	139,267	1,770	-	-	404	50,000	1,256,217
Recoveries	(4,665,613)	-	(164,000)	-	-	-	-	-	-	-	-	-	(4,829,613)
Write-off	-	-	-	-	(96,062)	-	-	-	-	-	-	-	(96,062)
Foreign exchange movements	(581,471)	(214,320)	(6,350)	(139)	3,325	(134)	118,087	20,110	153	(677)	(47)	-	(661,463)
	$ 1,360,583	$ 2,520,813	$ 402,843	$ 15,316	$ -	$ 80,615	$ 1,636,094	$ 184,406	$ 24,334	$ 68,270	$ 5,079	$ 138,586	$ 6,436,939

(Expressed in Canadian Dollars)

9. Exploration and evaluation assets (continued)

For the year ended September 30, 2018

	Penoles Mexico	Tajitos Mexico	Clemente Mexico	La Silla Mexico	Glor Mexico	Bacoachi Mexico	Australia Mexico	Thor Mexico	Ariel Mexico	Cecilia Mexico	Teco Mexico	Flute Canada	Lennac Canada	Total
Acquisition costs	$ 116,048	$ 65,614	$ 38,258	$ 17,507	$ -	$ 1,409	$ 1,061	$ 21,916	$ 3,360	$ 105,038	$ 12,384	$ -	$ -	$ 382,595
Exploration costs:														
Access	55	-	-	-	-	983	-	-	-	12,068	-	-	-	13,106
Assaying	-	-	-	2,943	-	-	-	-	-	-	-	-	-	2,943
Field & camp costs	13,187	7,780	100	28,913	-	3,124	-	-	1,159	10,498	2,553	-	-	67,314
Geological consulting	225,138	85,954	2,106	121,249	68,021	24,396	6,232	17,257	32,660	167,382	40,064	-	-	790,459
Transport & support	46,266	22,924	448	39,723	8,838	7,620	330	8,779	12,546	61,887	4,592	-	-	213,953
Total current exploration costs	284,646	116,658	2,654	192,828	76,859	36,123	6,562	26,036	46,365	251,835	47,209	-	-	1,087,775
Professional & other fees:														
Professional consulting	29,710	7,230	-	16,933	7,500	2,190	-	3,377	9,533	49,147	500	-	-	126,120
Legal fees	10,830	18,435	110	2,854	-	435	-	466	-	1,933	-	-	-	35,063
Others	1,012	747	-	585	34	-	-	299	795	1,561	-	-	-	5,033
Total current professional & other fees	41,552	26,412	110	20,372	7,534	2,625	-	4,142	10,328	52,641	500	-	-	166,216
Total costs incurred during the year	442,246	208,684	41,022	230,707	84,393	40,157	7,623	52,094	60,053	409,514	60,093	-	-	1,636,586
Balance, Opening	1,015,386	2,054,953	277,916	232,406	206,074	6,216	-	9,766	-	513,020	71,985	6,677	9,259	4,403,658
Recoveries	(205,363)	-	(87,663)	(25,000)	-	-	-	-	-	-	-	-	-	(318,026)
Write off	-	-	(225,403)	-	(290,810)	(45,830)	-	-	-	-	-	(6,677)	(9,259)	(577,979)
Foreign exchange movements	22,288	12,717	(5,872)	3,278	343	(543)	71	3,841	837	138,169	25,381	-	-	200,510
Balance, End of the year	$ 1,274,557	$ 2,276,354	$ -	$ 441,391	$ -	$ -	$ 7,694	$ 65,701	$ 60,890	$ 1,060,703	$ 157,459	$ -	$ -	$ 5,344,749
Cumulative costs:														
Acquisition	$ 3,951,702	$ 873,884	$ 236,175	$ 47,502	$ 52,203	$ 5,457	$ 1,061	$ 21,916	$ 3,360	$ 233,997	$ 43,611	$ -	$ -	$ 5,470,868
Exploration	1,637,132	1,297,056	369,824	379,185	188,086	38,336	6,562	32,867	46,365	574,165	87,312	4,300	7,507	4,668,697
Professional & other fees	684,417	266,429	143,010	39,542	49,774	2,625	-	7,237	10,328	120,100	1,524	2,377	1,752	1,329,115
Recoveries	(4,524,400)	-	(482,136)	(25,000)	-	-	-	-	-	-	-	-	-	(5,031,536)
Write-off	-	-	(225,403)	-	(290,810)	(45,830)	-	-	-	-	-	(6,677)	(9,259)	(577,979)
Foreign exchange movements	(474,294)	(161,015)	(41,470)	162	747	(588)	71	3,681	837	132,441	25,012	-	-	(514,416)
	$ 1,274,557	$ 2,276,354	$ -	$ 441,391	$ -	$ -	$ 7,694	$ 65,701	$ 60,890	$ 1,060,703	$ 157,459	$ -	$ -	$ 5,344,749

9. Exploration and evaluation assets (continued)

Title to exploration and evaluation asset interests involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral claims. The Company has investigated title to all of its exploration and evaluation asset interests and, to the best of its knowledge, title to all of its interests are in good standing. The exploration and evaluation asset interests in which the Company has committed to earn an interest are located in Mexico and Canada.

The terms and commitments of the Company with respect to its exploration and evaluation assets are subject to change if and when the Company and its partners mutually agree to new terms and conditions.

(a) Peñoles, Durango, Mexico

The Company owns 100% of the Peñoles Property, a gold-silver project, subject to a 2% NSR payable to the underlying concession holder.

During the year ended September 30, 2019, the Company received $141,213 (2018 - $140,933) in cash as land taxes recovery from the Government in Mexico.

On December 18, 2017, the Company entered into an LOI for a potential option of the property and received a non-refundable deposit of US$50,000. On January 15, 2018, the party elected not to proceed with the option.

(b) Tajitos, Sonora, Mexico

The Company has a 100% interest in the Tajitos Property, a gold project.

(c) Clemente, Sonora, Mexico

On December 2, 2016, the Company entered into an option agreement with Silver Viper Minerals Corp. ("Silver Viper") whereby Silver Viper could acquire a 100% interest in the Clemente Property, a silver-gold project, by paying $796,500 in cash, issuing 2,000,000 common shares, and incurring exploration expenditures of $4,000,000 over the next five years.

On February 2, 2018, the Company received $37,663 in cash from Silver Viper for reimbursement of Clemente mining taxes from January to September 2018.

On August 24, 2018, Silver Viper provided the Company with notice that it had elected not to complete the $4,000,000 in exploration expenditures required to earn a 100% interest in the Clemente Project, and as a result was terminating its option on the property.

Subsequent to the termination, the Company chose to write off the property and the historical capitalized costs of $225,403.

(d) La Silla, Sinaloa, Mexico

In October 2015, the Company acquired two mining concessions in the La Silla gold-silver district in Sinaloa through a lottery process.

On May 30, 2018, the Company entered into an option agreement, signing a Definitive Agreement on January 30, 2019, with Sinaloa Resources Corp. ("Sinaloa") whereby Sinaloa could acquire a 70% interest in the La Silla Property, a silver-gold project, by paying $60,000 in cash, issuing $1,000,000 in common shares, and incurring exploration expenditures of $2,000,000 over a three-year period as follows:

(Expressed in Canadian Dollars)

9. Exploration and evaluation assets (continued)

(d) La Silla, Sinaloa, Mexico (continued)

Due Date	Cash	Common shares	Cumulative exploration expenditures
May 30, 2018 (signing of LOI)	$ 25,000 (received)(1)	-	-
January 28, 2019	$ 35,000 (received)(2)	$100,000(received)(3)	-
January 28, 2020	-	$100,000	$ 300,000
January 28, 2021	-	$100,000	$ 1,000,000
January 28, 2022	-	$700,000	$ 2,000,000

(1) Option payments were received in June and July 2018.
(2) Option payment was received on January 25, 2019.
(3) 1,000,000 common shares were received on February 20, 2019.

To earn an additional 30%, Sinaloa must incur a further exploration expenditure of $1,000,000 and issue common shares with a value of $500,000. The Company will retain a 2.5% NSR on the project should Sinaloa complete 100% earn-in or the Company's interest dilutes to less than 10%.

As at January 28, 2020, the Company has not received the $100,000 payment in common shares that are due on January 28, 2020 from Sinaloa. Furthermore, Sinaloa has not incurred the $300,000 in exploration expenditures due on January 28, 2020.

(e) Glor, Sonora, Mexico

In April 2016, the Company assumed an option agreement with Argonaut Gold Inc. ("Argonaut") to acquire 100% interest in the Glor Gold Project subject to a 1.0% NSR to Argonaut by paying US$100,000 in cash and US$62,500 in cash or shares at the Company's election, and incurring US$2,500,000 in exploration expenditures over a five-year period.

On July 25, 2016, the Company entered into an option agreement with Minera Centerra S.A. de C.V. ("Minera Centerra") whereby Minera Centerra can acquire a 70% interest in the Company's Glor Project by funding USD $3,500,000 in aggregate exploration expenditures due by November 24, 2020.

On June 21, 2018, the Company and Minera Centerra decided not to continue with further exploration at the project. The Company has also terminated the underlying option agreement with Argonaut.

Subsequent to the termination, the Company chose to write off the property and the historical capitalized costs of $290,810.

(f) Bacoachi, Sonora, Mexico

On July 22, 2016, the Company staked and acquired a 100% exploration concession interest in the Bacoachi Property. The Property is in northeastern Sonora, Mexico.

During the year ended September 30, 2018, the Company terminated the option with the underlying concession holder and has no further obligation with respect to the project. There were $45,830 in historical capitalized costs associated with this project which were written off during the year ended September 30, 2018.

(Expressed in Canadian Dollars)

9. Exploration and evaluation assets (continued)

(g) Thor Project, Sonora, Mexico

Thor is a porphyry copper project, located in Sonora, Mexico. The Company acquired a 100% interest in the Thor Copper Project on June 1, 2017.

During the year ended September 30, 2019, the Company decided not to continue with further exploration at the project.

Subsequent to the termination, the Company chose to write off the property and the historical capitalized costs of $96,062.

(h) Ariel, Sonora, Mexico

The Ariel Property is a part of the Thor Copper Project. As a result, the Company gained a 100% exploration concession interest in the Ariel Property on June 1, 2017.

(i) Cecilia, Sonora, Mexico

In January 2017, the Company signed letter agreements with Gunpoint Exploration Ltd. (“Gunpoint”) and Millrock Resources Inc. (“Millrock”) to acquire three La Cecilia Margarita concessions owned by Gunpoint, and to acquire the Violeta concession owned by Millrock into a unified Cecilia Gold Project. The Company could acquire a 100% interest in the La Cecilia Margarita concessions from Gunpoint with the following terms:

Due Date	Cash	Common Shares
Upon signing of letter agreement (January 31, 2017)	$ 10,000 (paid)	-
Upon signing of Mexican agreement (June 2017)	$ 15,000 (paid)	100,000 (issued, fair value: $46,000)
January 31, 2018	$ 25,000 (paid)	200,000 (issued, fair value: $54,000)
January 31, 2019	$ 75,000 (paid)	300,000 (issued, fair value: $51,000)
January 31, 2020	$ 125,000	400,000

In addition to the payments made to Gunpoint above, the Company acquired a 100% interest in the Violeta concession from Millrock during the year ended September 30, 2017 by paying $10,000 and issuing 100,000 common shares with a fair value of $46,000 to Millrock upon completion of property title transfer, subject to 0.5% NSR.

(j) Teco, Sonora, Mexico

Teco Project is made up of two concessions: Teco and Suaqui Grande. The Company acquired a 100% interest in the Suaqui Grande concession on March 24, 2017.

(k) Australia, Sonora, Mexico

Australia Project is made up of two concessions: Sandy and Sandy 2. The Company acquired a 100% interest in the Sandy and Sandy 2 concessions on February 28, 2018 and October 12, 2018, respectively.

(l) Suaqui Verde, Suaqui Grande, Mexico

The Company acquired a 100% interest in Suaqui Verde Property on October 12, 2018.

(Expressed in Canadian Dollars)

9. Exploration and evaluation assets (continued)

(m) Palo Fierro, Sonora, Mexico

On May 15, 2019, the Company entered into an exploration financing agreement with BHP Exploration Chile SpA ("BHP") for funding of generative exploration in the copper producing belt of Mexico (the "Program"). Per the agreement, BHP will fund US$1,000,000 on an annual basis for a minimum of two years for generative grass-roots exploration within northeastern Sonora. On May 29, 2019, the Company received US$1,000,000 as exploration advances for the generative exploration in the first year.

On June 5, 2019, the Company gained a 100% exploration concession interest in the Palo Fierro Property, a copper project, which is a part of the Program with BHP.

(n) Los Cuarentas, Sonora, Mexico

On June 24, 2019, the Company entered into a binding letter agreement ("Letter Agreement") with Millrock Resources Inc. ("Millrock") to acquire a 100% undivided right, title, and interest in five projects, including Los Cuarentas, La Union, El Valle, Llano del Nogalo and El Pima, at a purchase price of $35,000 cash (paid) and 150,000 common shares (issued at a fair market value of $24,000). As at September 30, 2019, the Company has not officially owned the properties of Llano de Nogalo and EI Valle.

(o) La Union, Sonora, Mexico

The La Union Property is a part of the Letter Agreement with Millrock. As a result, the Company gained a 100% exploration concession interest in the La Union Property on June 24, 2019.

(p) Flute and Lennac Projects, British Columbia, Canada

The Company assumed the interest in the Flute and Lennac copper-gold Projects when the historical Strategic Exploration Alliance ("SEA") with Antofagasta Minerals S.A. ("AMSA") expired. No acquisition costs were capitalized as they were paid through the exploration alliance before the Company assumed the interest.

During the year ended September 30, 2018, the Company terminated the option with the underlying concession holder and has no further obligation with respect to the Flute and Lennac projects. There were $15,936 in historical capitalized costs associated with these projects which have been written off during the year ended September 30, 2018.

(q) Western Ontario, Canada

During the year ended September 30, 2019, the Company acquired a 100% interest in the Oakes, Longrose, Pitchette and Vincent projects in Western Ontario, Canada.

10. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consist of payables to vendors and exploration advances from alliance partners. The breakdowns of accounts payable and accrued liabilities are as follows:

	September 30, 2019	September 30, 2018
Payables to vendors	$ 155,170	$ 126,731
*Exploration advances	1,019,882	-
	$ 1,175,052	$ 126,731

*Exploration advances is in connection to the BHP project during the year ended September 30, 2019. Refer to Note 9 (m) for further details.

(Expressed in Canadian Dollars)

11. Capital stock and reserves

The authorized capital stock of the Company consists of an unlimited number of common and preferred voting shares without nominal or par value.

Issued and outstanding

Shares issued for the year ended September 30, 2019

(a) On January 8, 2019, the Company issued 265,000 bonus shares at a fair value of $47,700 to certain executive officers and consultants of the Company in accordance with the Company's shareholder approved bonus share plan.

(b) On January 31, 2019, the Company issued 300,000 common shares with a fair value of $51,000 to Gunpoint in accordance with the letter agreements for the Cecilia property (Note 9 (i)).

(c) On March 19, 2019 the Company completed a private placement consisting of 17,488,875 units at a price of $0.16 per unit for gross proceeds of $2,798,220. As part of the financing, the Company paid $164,859 in share issuance costs and issued 28,000 additional units and warrants as finder's fees with a fair value of $4,480 and $1,610 respectively, recorded as share issuance cost. Each unit consisted of one common share and one whole common share purchase warrant. Each common share purchase warrant is exercisable into one common share for a period of two years from closing at a price of $0.22 per share. The term of the warrants are subject to an accelerated exercise provision. The fair value of the finders' warrants is calculated using the Black-Scholes option pricing with the following assumptions: estimated risk-free rate of 1.64%, volatility of 82.4%, annual dividend yield of 0% and life of warrant of 2 years.

(d) On September 20, 2019, the Company issued 150,000 common shares with a fair value of $24,000 to Millrock in accordance with the Letter Agreement for acquiring a 100% undivided right, title, and interest in five projects, including Los Cuarentas, La Union, El Valle, Llano del Nogalo and El Pima (Note 9 (n&o)).

Shares issued for the year ended September 30, 2018

(a) On November 3, 2017, the Company issued 230,000 bonus shares at a fair value of $64,400 to certain executive officers and consultants of the Company in accordance with the Company's shareholder approved bonus share plan.

(b) On April 24, 2018, the Company issued 200,000 common shares with a fair value of $54,000 to Gunpoint in accordance with the letter agreements for the Cecilia property (Note 9 (i)).

Share purchase and finders' warrants

	Number of warrants	Weighted average exercise price
Outstanding warrants, September 30, 2018 and 2017	3,204,767	$ 0.85
Issued	17,516,875	0.22
Expired	(3,204,767)	0.85
Outstanding warrants, September 30, 2019	17,516,875	$ 0.22

(Expressed in Canadian Dollars)

11. Capital stock and reserves (continued)

Share purchase and finders' warrants (continued)

As at September 30, 2019, the following share purchase warrants were outstanding and exercisable:

Expiry date (mm/dd/yyyy)	Number of warrants outstanding	Weighted average remaining life in years	Exercise price
03/19/2021	17,516,875	1.47	$ 0.22
	17,516,875	1.47	$ 0.22

Bonus share plan

The Company has a bonus share plan ("Bonus Plan") that enables the directors to approve the issuance of bonus shares to employees, officers, directors and consultants of the Company. The existing Bonus Plan which was approved during the year ended September 30, 2018, replaces the preceding plan, and the number of bonus shares that may be issued under the Bonus Plan is 400,000 common shares per year. During the year ended September 30, 2019, 265,000 (2018 - 230,000) bonus shares were issued under this plan.

Stock options

The Company has established a rolling stock option plan ("Option Plan") enabling the directors to grant options to employees, officers, directors, and consultants of the Company. From time to time, shares may be reserved by the Board, in its discretion, for options under the Option Plan, provided that the total number of shares reserved for issuance by the Board shall not exceed 10% of the issued and outstanding listed shares (on a non-diluted basis) less that portion of the 400,000 that may be issued as bonus shares that have not been so issued as at the date of grant. Options are non-assignable and may be granted for a term not exceeding that permitted by the Exchange, currently ten years. All stock options issued are subject to vesting terms. Options issued to directors, vest in the amount of 33% every six months from the date of grant; and options issued to officers and/or consultants vest between 12 and 24 months depending on date of grant and nature of service. The exercise price of each option equals the market price, minimum price, or discounted market price of the Company's shares as calculated on the date of grant.

Share-based payments relating to options vested during the year ended September 30, 2019, using the Black-Scholes option pricing model was $96,397 (2018 - $147,958), which was recorded as reserves on the statements of financial position and as share-based payment expense in profit or loss. The associated share-based payment expense for the options granted during the year was calculated based on the following weighted average assumptions:

	2019	2018
Forfeiture rate	0.00%	2.96 %
Estimated risk-free rate	1.33 %	1.22 %
Expected volatility	82.34%	81.12%
Estimated annual dividend yield	0.00 %	0.00 %
Expected life of options	5.00 years	5.00 years
Fair value per option granted	$ 0.12	$ 0.18

(Expressed in Canadian Dollars)

11. Capital stock and reserves (continued)

Stock options (continued)

The number and weighted average exercise prices of the stock options are as follows:

	Number of options	Weighted average exercise price
Outstanding options, September 30, 2017	2,996,000	$ 0.36
Forfeited	(30,000)	$ 0.28
Expired	(525,000)	$ 0.65
Granted	760,000	$ 0.28
Outstanding options, September 30, 2018	3,201,000	$ 0.29
Forfeited	(140,500)	$ 0.31
Granted	785,000	$ 0.17
Outstanding options, September 30, 2019	3,845,500	$ 0.26

During the year ended September 30, 2018, 525,000 stock options expired unexercised and 30,000 stock options forfeited.

During the year ended September 30, 2019, 140,500 stock options forfeited.

On January 8, 2019, the Company granted 785,000 incentive stock options (the "Options") to certain Directors, Officers and Consultants of the Company. The Options are exercisable at $0.17 per share for a period of five years from the date of grant. Options granted to individuals in their capacity as a Director vest in three equal installments over 18 months and Options granted to Officers and Consultants vest in four equal installments over 12 months.

As at September 30, 2019, the Company has outstanding stock options exercisable as follows:

Expiry date (mm/dd/yyyy)	Number of options outstanding	Weighted average remaining life in years	Exercise price	Number of options exercisable
11/14/2019	723,000	0.12	$ 0.27	723,000
01/07/2021	707,500	1.27	$ 0.15	707,500
12/16/2021	935,000	2.21	$ 0.42	935,000
11/03/2022	695,000	3.10	$ 0.28	695,000
01/08/2024	785,000	4.28	$ 0.17	350,833
	3,845,500	2.23		3,411,333

(Expressed in Canadian Dollars)

12. Income taxes

A reconciliation of current income taxes at statutory rates with the reported taxes is as follows:

	2019	2018
Net loss for the year	$ (1,310,831)	$ (1,462,695)
Expected income tax expense (recovery)	$ (354,000)	$ (391,000)
Share issue costs	(46,000)	-
Change in statutory, foreign tax, foreign exchange rates and other	(134,000)	(111,000)
Permanent difference	444,000	47,000
Impact on prior year provision per statutory tax return and expiry of non-capital losses	452,000	181,000
Change in unrecognized deductible temporary differences	(362,000)	274,000
Total income taxes	$ -	$ -

The significant components of deferred tax assets related to Canada, Mexico and the United States that have not been recognized are as follows:

	2019	2018
Deferred tax assets		
Share issuance costs	$ 56,000	$ 30,000
Allowable capital losses	270,000	390,000
Non-capital losses	2,843,000	3,040,000
Capital assets	36,000	35,000
Marketable securities	113,000	184,000
Exploration and evaluation assets	205,000	206,000
	$ 3,523,000	$ 3,885,000

The significant components of deductible temporary differences, unused tax losses and unused tax credits that have not been included on the consolidated statements of financial position are as follows:

	September 30, 2019	**Expiry dates**	**September 30, 2018**	**Expiry dates**
Share issue costs	$ 209,000	2040-2043	$ 110,000	2038-2041
Allowable capital losses	1,002,000	N/A	1,445,000	N/A
Non-capital losses	10,411,000	See below	11,121,000	See below
Capital assets	131,000	N/A	129,000	N/A
Exploration and evaluation assets	739,000	N/A	765,000	N/A
Marketable securities	839,000	N/A	1,360,000	N/A
Canada	9,232,000	2027-2039	9,750,000	2027-2038
USA	16,000	2032-2036	43,000	2030 to no expiry
Mexico	1,164,000	2026-2029	1,327,000	2026-2028

Tax attributes are subject to review, and potential adjustment, by tax authorities.

(Expressed in Canadian Dollars)

13. Related party transactions

The Company entered into the following transactions with related parties:

Payee / Payer	Nature of transactions	Year ending September 30	Fees (Income) ($)	Shares ($)	Amount payable (receivable) at year end ($)
Arriva Management Inc.	Management and consulting fees (i)	2019 2018	250,440 224,970	18,000 33,600	45,603 19,375
GSBC Financial Management Inc.	Management and consulting fees (i)	2019 2018	96,000 96,000	9,000 14,000	Nil Nil
Alberto Orozco	Consulting fees (i)	2019 2018	68,750 -	Nil Nil	Nil Nil
Ronald Burk	Consulting fees (i)	2019 2018	- 90,892	Nil 4,200	Nil Nil
English Bay Capital	Consulting fees (i)	2019 2018	- 25,250	Nil Nil	Nil Nil
Omni Resource Consulting Ltd.	Consulting fees (i)	2019 2018	107,500 -	9,000 Nil	16,699 Nil
Brian Groves	Director fees(ii)	2019 2018	12,000 12,000	Nil Nil	Nil Nil
James Clare	Director fees(ii)	2019 2018	3,000 12,000	Nil Nil	Nil Nil
Carol Ellis	Director fees(ii)	2019 2018	12,000 12,000	Nil Nil	Nil Nil
Walter Henry	Director fees(ii)	2019 2018	12,000 12,000	Nil Nil	Nil Nil
First Helium Inc.	Rent (iii)	2019 2018	(16,000) -	Nil Nil	(16,800) Nil

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers. The remuneration of directors and key management personnel during the year ended September 30, 2019 and 2018 are as follows:

	2019	2018
Directors' fees (ii)	$ 39,000	$ 48,000
Management and consulting fees (i)	522,690	437,112
Performance bonus shares	36,000	51,800
Share-based payments	66,012	101,205
	$ 663,702	$ 638,117

(i) Management and consulting fees of the key management personnel for the period were allocated as follows: $108,000 (2018 - $133,250) expensed to consulting fees and $414,690 (2018 - $303,862) capitalized to exploration and evaluation assets.

(ii) Starting from January 1, 2019, James Clare, director, agreed not to receive director fees from the Company and waived $26,846 in amounts owed to him from the Company. As a result, the Company recognized a gain on debt settlement of $26,846.

(Expressed in Canadian Dollars)

13. Related party transactions (continued)

(iii) Starting from February 2019, the Company agreed to share their office space with First Helium Inc. ("First Helium"), a company with a common officer with the Company. During the year ended September 30, 2019, the Company recognized rental recovery of $16,000 from First Helium, which was recorded in other income.

14. Segmented information

The Company operates in one business segment, the exploration of exploration and evaluation assets and prospect generation. The Company's exploration activities are centralized whereby management of the Company is responsible for business results and the everyday decision-making. The Company's operations therefore are segmented on a geographic basis.

	September 30, 2019	September 30, 2018
Equipment		
Canada	$ 7,418	$ 9,969
Mexico	165,832	52,482
	173,250	62,451
Exploration and evaluation assets		
Canada	138,586	-
Mexico	6,298,353	5,344,749
	6,436,939	5,344,749
Total	$ 6,610,189	$ 5,407,200

(Expressed in Canadian Dollars)

15. Supplemental disclosure with respect to cash flows

	September 30, 2019	September 30, 2018
Cash	$ 2,647,409	$ 956,263
Cash equivalents	796,587	1,103,815
	3,443,996	2,060,078

The significant non-cash transactions for the year ended September 30, 2019 were as follows:

a) The Company issued 265,000 common shares at a value of $47,700 to certain executive officers and consultants in accordance with the Company's bonus share plan. The amount was capitalized to exploration and evaluation assets.
b) The Company issued 300,000 common shares valued at $51,000 for the Cecilia Project (Note 9(i)).
c) The Company received 1,000,000 Sinaloa Resources Corp. shares valued at $100,000 as exploration and evaluation asset recoveries (Note 9 (d)).
d) The Company issued 28,000 finder's units issued with a fair value of $1,610 as share issuance costs.
e) The Company issued 150,000 common shares valued $24,000 for the Los Cuarentas, La Union, El Valle, Llano del Nogalo and El Pima Projects (Note 9(n&o)).

The significant non-cash transactions for the year ended September 30, 2018 were as follows:

a) The Company issued 230,000 common shares at a value of $64,400 to certain executive officers and consultants in accordance with the Company's bonus share plan. The amount was capitalized to exploration and evaluation assets.
b) Included in accounts payable was $788 in exploration and evaluation asset expenditures.
c) The Company issued 200,000 common shares valued at $54,000 for the Cecilia Project (Note 9(i)).

16. Capital management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration of exploration and evaluation assets. In the management of capital, the Company includes components of shareholders' equity. The Board of Directors 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 properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund activities. In order to carry out planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. The Company will continue to assess new properties and 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.

There were no changes in the Company's approach to capital management during the year ended September 30, 2019. The Company is not currently subject to externally imposed capital requirements.

17. Financial instruments

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 – Inputs that are not based on observable market data.

The fair value of the Company's receivables, accounts payable and accrued liabilities approximate carrying value, which is the amount recorded on the statements of financial position. The fair value of the Company's other financial instruments, cash and cash equivalents and short-term investments, under the fair value hierarchy are based on level 1 quoted prices in active markets for identical assets and liabilities.

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

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's cash and cash equivalents are held with major financial institutions in Canada and Mexico which management believes the risk of loss to be remote. Receivables consist of tax refunds from the Federal Government of Canada and Mexico, in which regular collection occurs, and land tax recovery. The Company believes its credit risk is equal to the carrying value of this balance.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2019, the Company had cash and cash equivalents of $3,443,996 to settle current liabilities of $2,278,871. The Company believes it has sufficient funds to meet its current liabilities as they become due.

Interest rate risk

The Company has interest-bearing cash balances. The interest earned on cash balances approximates fair value rates, and the Company is not at a significant risk to fluctuating interest rates. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As of September 30, 2019, the Company had investments in short-term deposit certificates of $685,150.

17. Financial instruments (continued)

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 profit or loss and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold, silver and copper, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

The Company currently maintains short-term investments, which include marketable securities (Note 5). There can be no assurance that the Company can exit these positions if required, resulting in proceeds approximating the carrying value of these securities.

Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash and cash equivalents, receivables, and accounts payable and accrued liabilities that are denominated in US dollars (US) and Mexican pesos.

Sensitivity analysis

The Company operates in Mexico and is exposed to risk from changes in the US dollar and the Mexican peso. A simultaneous 10% fluctuation in the US dollar and Mexican peso against the Canadian dollar would affect loss for the period by $374,434.

The Company holds marketable securities and is exposed to risk from changes in the share price of the marketable securities. A simultaneous 15% fluctuation in share prices would affect short-term investments and profit or loss for the year by approximately $254,757.

18. Mexico tax liability

During the year ended September 30, 2019, the Company received a final verdict of a lawsuit against the Government of Mexico. The funds provided by the Company to its wholly-owned subsidiary Riverside Resources Mexico S.A. de C.V. ("RRM") in fiscal 2010 were deemed to be income. The Mexican tax authority passed a decision to impose a lien on RRM's assets and a tax penalty of $1,131,026 on RMM. Accordingly, the Company recorded a tax penalty totaling $1,131,026. The Mexican tax authority has not enforced the lien and the lien does not impede RRM's ability to carry out its business operations. The Company is currently negotiating with the tax authority on a settlement.

19. Subsequent events

On November 12, 2019, the Company sold 4,400,000 shares of Arizona Metals Corp for net proceeds of $784,207.

On November 15, 2019, the Company granted 1,265,000 incentive stock options (the "Options") to certain directors, officers and consultants of the Company. The Options are exercisable at $0.135 per share for a period of five years from the date of grant. Options granted to individuals in their capacity as a director vest in three equal installments over 18 months and Options granted to officers and consultants vest in four equal installments over 12 months.

On November 30, 2019, the Company received 300,000 shares from First Helium to settle $21,000 in debt owed from First Helium to the Company.