

# RIVERSIDE RESOURCES INC.

(An Exploration Stage Enterprise)

(Expressed in Canadian Dollars)

Condensed Interim Consolidated Financial Statements

For the Nine Months ended June 30, 2022 and 2021

(Unaudited- Prepared by Management)

**RIVERSIDE RESOURCES INC.**

**Index to Condensed Interim Consolidated Financial Statements**

**June 30, 2022**

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**NOTICE OF NON-REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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

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

The attached condensed interim consolidated financial statements for the nine months ended June 30, 2021 have not been reviewed by the Company's auditors.

# RIVERSIDE RESOURCES INC.

(An Exploration Stage Enterprise)

Condensed Interim Consolidated Statements of Financial Position as at June 30, 2022

(Unaudited- Expressed in Canadian Dollars)

	Note	June 30, 2022	September 30, 2021
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	15	\$ 7,335,370	\$ 5,972,384
Short-term investments	5	247,276	1,400,526
Receivables	6	163,820	95,199
Prepaid expenses	7	120,001	129,638
		<u>7,866,467</u>	<u>7,597,747</u>
Receivables	6	1,012,982	977,977
Equipment	8	174,626	234,070
Exploration and evaluation assets	9	7,133,889	6,089,456
		<u>\$ 16,187,964</u>	<u>\$ 14,899,250</u>
<b>Liabilities and Shareholders' Equity</b>			
Current liabilities:			
Accounts payable and accrued liabilities	10	\$ 153,215	\$ 474,271
Flow-through premium liability	12	38,157	-
Exploration advances	10	3,331,877	2,423,630
Provision liability	18	1,052,180	1,022,086
		<u>4,575,429</u>	<u>3,919,987</u>
Government loan	11	-	-
		<u>-</u>	<u>-</u>
Shareholders' equity:			
Capital stock	12	26,017,795	25,468,861
Reserves	12	3,768,524	3,670,485
Deficit		(16,062,823)	(15,862,311)
Accumulated other comprehensive loss		(2,110,961)	(2,297,772)
		<u>11,612,535</u>	<u>10,979,263</u>
		<u>\$ 16,187,964</u>	<u>\$ 14,899,250</u>

Nature and continuance of operations (Note 1)

Subsequent events (Note 19)

On behalf of the Board on August 26, 2022

“Walter Henry” Director  
Water Henry

“Wendy Chan” Director  
Wendy Chan

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

# RIVERSIDE RESOURCES INC.

(An Exploration Stage Enterprise)

Condensed Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)

For the nine months ended June 30,

(Unaudited- Expressed in Canadian Dollars)

	Note	3 Month Ended June 30, 2022	3 Month Ended June 30, 2021	9 Month Ended June 30, 2022	9 Month Ended June 30, 2021
<b>Expenses</b>					
Management and consulting fees	9, 13	\$ 94,247	\$ 87,912	\$ 280,672	\$ 303,374
Depreciation	8	16,068	20,259	46,867	57,370
Director fees	13	9,000	9,000	27,000	27,000
Foreign exchange (gain) loss		(179,955)	27,979	(87,921)	148,675
General and administration		42,406	30,636	125,957	79,929
Interest recovery	11	-	(3,602)	-	(1,970)
Investor relations	13	120,148	61,207	285,407	203,546
Professional fees		53,919	33,819	130,401	108,602
Property investigation and evaluation		59	833	4,611	3,646
Rent		14,550	20,315	43,650	60,946
Share-based payments	12,13	20,751	39,471	98,039	251,602
<b>Loss before the undernoted</b>		<b>(191,193)</b>	<b>(327,829)</b>	<b>(954,683)</b>	<b>(1,242,720)</b>
<b>Other income (expenses)</b>					
Finance income		16,132	4,938	28,252	11,149
Loss on disposal of asset	8	(20,369)	-	(20,369)	-
Operational fee recovery	9, 10	79,699	62,543	240,642	305,157
Other income	5	37,027	50,983	128,668	114,854
Amortization of flow-through premium liability	12	46,400	-	133,384	-
Unrealized loss (gain) on short-term investments	5	(63,527)	1,030,820	(1,137,012)	1,075,934
Realized loss (gain) on short-term investments	5	-	-	1,384,833	1,172,012
Write-down of E&E assets		(54)	-	(4,227)	-
<b>Net income (loss) for the period</b>		<b>(95,885)</b>	<b>821,455</b>	<b>(200,512)</b>	<b>1,436,386</b>
Foreign exchange movements		134,769	71,196	186,811	13,197
<b>Comprehensive income (loss) for the period</b>		<b>38,884</b>	<b>892,651</b>	<b>(13,701)</b>	<b>1,449,583</b>
<b>Income (Loss) per share – basic and diluted</b>		<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>
<b>Weighted average number of common shares outstanding</b>					
– basic and diluted		69,562,521	66,131,688	69,080,729	65,252,511

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

# RIVERSIDE RESOURCES INC.

(An Exploration Stage Enterprise)

Condensed Interim Consolidated Statements of Cash Flows

For the nine months ended June 30,

(Unaudited- Expressed in Canadian Dollars)

	Note	2022	2021
<b>OPERATING ACTIVITIES</b>			
Income (loss) for the period		\$ (200,512)	\$ 1,436,386
Items not involving cash:			
Depreciation	8	46,867	57,370
Share-based payments	12,13	98,039	251,602
Realized (gain) loss on short-term investments	5	(1,384,833)	(1,172,012)
Unrealized (gain) loss on short-term investments	5	1,137,012	(1,075,934)
Other income	5	(128,668)	114,854
Amortization of flow-through premium liability	12	(133,384)	-
Accrued interest on government loan	11	-	(1,970)
Change in non-cash working capital items:			
Prepaid expenses		9,637	(4,633)
Receivables		25,042	(576,053)
Accounts payable and accrued liabilities		(765,050)	(166,279)
		(1,295,850)	(1,136,669)
<b>INVESTING ACTIVITIES</b>			
Exploration advances – accounts payable and accrued liabilities		908,247	(453,498)
Exploration and evaluation assets		(553,180)	(404,734)
Purchase of equipment	8	(3,026)	(65,823)
Repayment of loan payable	11	-	(30,000)
Sale (Purchase) of short-term investments	5	1,471,070	1,458,934
		1,823,111	504,879
<b>FINANING ACTIVITIES</b>			
Proceeds from the exercise of warrants	12	-	366,285
Proceeds from the exercise of options	12	-	79,925
Proceeds from share issuance, net of issuance costs	12	720,475	-
		720,475	446,210
Effect of foreign exchange on cash and cash equivalents		115,250	(337,472)
Increase (decrease) in cash and cash equivalents		1,362,986	(523,052)
Cash and cash equivalents, beginning of the period		5,972,384	4,588,578
Cash and cash equivalents, end of the period		\$ 7,335,370	\$ 4,065,526

Supplemental disclosures with respect to cash flows (Note 15)

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

# RIVERSIDE RESOURCES INC.

(An Exploration Stage Enterprise)

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

(Unaudited - Expressed in Canadian Dollars)

		Capital Stock				Accumulated other comprehensive loss	Total
	Note	Shares	Amount	Reserves	Deficit		
<b>Balance at September 30, 2020</b>		68,127,131	\$ 24,961,986	\$ 3,458,788	\$ (16,596,443)	\$ (2,260,653)	\$ 9,563,678
Issued for:							
Exercise of warrants	12	2,173,000	366,285	-	-	-	366,285
Exercise of options	12	717,500	140,590	(60,665)	-	-	79,925
Share-based payments	12	-	-	251,602	-	-	251,602
Income for the period		-	-	-	1,436,386	-	1,436,386
Foreign exchange movements		-	-	-	-	13,197	13,197
<b>Balance at June 30, 2021</b>		71,017,631	25,468,861	3,649,725	(15,160,057)	(2,247,456)	11,711,073
<b>Balance at September 30, 2021</b>		71,017,631	25,468,861	3,670,485	(15,862,311)	(2,297,772)	10,979,263
Issued for:							
Private placement	12	3,430,833	720,475	-	-	-	720,475
Flow-through liability	12	-	(171,541)	-	-	-	(171,541)
Share-based payments	12	-	-	98,039	-	-	98,039
Loss for the period		-	-	-	(200,512)	-	(200,512)
Foreign exchange movements		-	-	-	-	186,811	186,811
<b>Balance at June 30, 2022</b>		74,448,464	\$ 26,017,795	\$ 3,768,524	\$ (16,062,823)	\$ (2,110,961)	\$ 11,612,535

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

# RIVERSIDE RESOURCES INC.

(An Exploration Stage Enterprise)

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended June 30, 2022

(Unaudited - Expressed in Canadian Dollars)

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## 1. Nature and continuance of operations

Riverside Resources Inc. (the “Company” or “Riverside”) 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.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or ability to raise funds.

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. Plan of Arrangement

On October 30, 2019, the Company incorporated a new subsidiary, Capitan Mining Inc. (“Capitan”) and Rios de Suerte S.A de C.V., another new subsidiary was incorporated on November 29, 2019 in order to facilitate a plan of arrangement (“Arrangement”) whereby the Company’s 100% interest in the Peñoles Project was spun out to Capitan.

On August 14, 2020, the Company transferred its 100% interest in the Peñoles Project and completed the Arrangement to spin out the shares of Capitan to the shareholders of Riverside. Pursuant to the Arrangement, holders of common shares of Riverside on August 13, 2020 received one new common share of Riverside (each, a “Riverside Share”) and 0.2594 of a Capitan share (each, a “Capitan Share”) for each common share held.

The carrying value of the net assets transferred to Capitan, pursuant to the Arrangement, consisted of the following assets:

<b>Assets</b>	<b>\$</b>
<b>Carrying value of exploration and evaluation assets</b>	<b>1,082,717</b>
<b>Fair value of net assets transferred</b>	<b>3,500,000</b>
<b>Gain on transfer of spin-out assets</b>	<b>2,417,283</b>

In accordance with IFRIC 17, Distribution of Non-cash Assets to Owners, the Company recognized the transfer of net assets to Riverside shareholders at fair value with the difference between that value and the carrying amount of the net assets recognized in the consolidated statement of comprehensive income (loss). The fair value of net assets transferred was based on the expected market value of a Capitan share of \$0.20 per share as per private placement completed on August 24, 2020.

The Arrangement resulted in a reduction of share capital amounting to \$3,500,000.



# RIVERSIDE RESOURCES INC.

(An Exploration Stage Enterprise)

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended June 30, 2022

(Unaudited - Expressed in Canadian Dollars)

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## 2. Plan of Arrangement (continued)

Under the terms of the Arrangement, each issued and outstanding Riverside option has been adjusted for the assets spun-out. The exercise prices of the Riverside replacement stock options were adjusted based on the proportional market value of the two companies after completion of the Arrangement. See Note 12.

## 3. Basis of presentation and Statement of compliance

These condensed interim consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss or available for sale, which are stated at their fair value. All dollar amounts presented are in Canadian dollars unless otherwise specified. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standards (“IAS 34”), “Interim Financial Reporting” using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and International Financial Reporting Interpretations Committee (“IFRIC”). Therefore, these interim financial statements comply with International Accounting Standards (“IAS”) 34 “Interim Financial Reporting”.

## 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

The Company’s accounting policies are described in Note 4 to the consolidated financial statements for the year ended September 30, 2021. Management considers the following to be the most critical in understanding the judgments that are involved in preparing the Company’s financial statements and the uncertainties that could impact its results of operations, financial condition and future cash flow.

### New standards, interpretations and amendments adopted during the period

A number of new standards, amendments to standards and interpretations are not yet effective as of June 30, 2022 and have therefore not been applied in preparing these consolidated financial statements. None are expected to have a material effect on the financial statements of the Company.

# RIVERSIDE RESOURCES INC.

(An Exploration Stage Enterprise)

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended June 30, 2022

(Unaudited - Expressed in Canadian Dollars)

## 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:

	June 30, 2022			September 30, 2021		
	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	\$ 870
Arizona Metals Corp. <sup>(1)</sup>	-	-	-	324,500	86,237	1,184,425
Guerrero Exploration Inc.	1,926,000	343,049	-	1,926,000	343,049	-
Carlyle Commodities Corp. <sup>(2)</sup>	2,500,000	512,500	100,000	2,000,000	497,500	120,000
Goldshore Resources Inc. (formerly Sierra Madre Developments Inc.)	104,194	1,103,791	27,611	104,194	1,103,791	63,559
Sinaloa Resources Corp.	1,000,000	100,000	-	1,000,000	100,000	-
First Helium Inc. <sup>(3)</sup>	154,500	45,308	78,795	154,500	45,308	31,672
Upper Canada Mining Inc.	5,600,000	-	-	5,600,000	-	-
Southern Empire Resources <sup>(4)</sup>	500,000	55,000	40,000	-	-	-
		\$ 2,170,668	\$ 247,276		\$ 2,186,905	\$ 1,400,526

<sup>(1)</sup> During the nine months ended June 30, 2022, the Company sold the remaining 324,500 shares for net proceeds of \$1,471,070. During the year ended September 30, 2021, the Company sold 1,175,500 shares for net proceeds of \$1,805,182.

<sup>(2)</sup> On January 13, 2022, the Company received additional 500,000 shares of Carlyle Commodities Corp. with a fair market value of \$15,000 as per the option agreement for the Cecilia property. Please refer to Note 9 (e) for additional details.

<sup>(3)</sup> On July 12, 2021, First Helium Inc. completed its listing and began trading on the TSX-V under the symbol HELI.

<sup>(4)</sup> On January 12, 2022, the Company received additional 500,000 shares of Southern Empire Resources Corp. with a fair market value of \$55,000 as per the option agreement for the Suaqui Verde property. Please refer to Note 9 (h) for additional details.

# RIVERSIDE RESOURCES INC.

(An Exploration Stage Enterprise)

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended June 30, 2022

(Unaudited - Expressed in Canadian Dollars)

## 6. Receivables

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

	June 30, 2022	September 30, 2021
GST recoverable amounts in Canada	\$ 24,429	\$ 19,990
IVA recoverable amounts in Mexico (current)	117,636	26,178
Land taxes recovery in Mexico	21,755	21,133
Other receivable*	-	27,898
	163,820	95,199
IVA recoverable amounts in Mexico (non-current)	1,012,982	977,977
	\$ 1,176,802	\$ 1,073,176

\*During the period ended June 30, 2022, the Company recognized and received \$65,704 (September 30, 2021- \$27,898) from iMetal Resources Inc, for the reimbursement of the exploration expenditures on the Oakes property.

## 7. Prepaid expenses

The breakdown of prepaid expenses is as follows:

	June 30, 2022	September 30, 2021
Conferences and courses	\$ -	\$ 9,463
Expense advances	79,747	71,337
Insurance	29,403	37,998
Rent	10,851	10,840
	\$ 120,001	\$ 129,638

# RIVERSIDE RESOURCES INC.

(An Exploration Stage Enterprise)

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months June 30, 2022

(Unaudited - Expressed in Canadian Dollars)

## 8. Equipment

	Computer hardware	Exploration equipment	Furniture & fixtures	Vehicles	TOTAL
<b>Cost</b>					
Balance at September 30, 2020	\$ 88,805	\$ 205,522	\$ 31,353	\$ 193,064	\$ 518,744
Additions	-	-	-	65,823	65,823
Foreign exchange movement	524	6,138	634	6,257	13,553
Balance at September 30, 2021	\$ 89,329	\$ 211,660	\$ 31,987	\$ 265,144	\$ 598,120
Additions	1,894	-	-	1,132	3,026
Disposals	-	-	-	(20,369)	(20,369)
Foreign exchange movement	531	5,791	598	7,199	14,119
<b>Balance at June 30, 2022</b>	<b>\$ 91,754</b>	<b>\$ 217,451</b>	<b>\$ 32,585</b>	<b>\$ 253,106</b>	<b>\$ 594,896</b>
<b>Accumulated depreciation</b>					
Balance at September 30, 2020	\$ (79,295)	\$ (102,373)	\$ (27,242)	\$ (77,823)	\$ (286,733)
Depreciation	(4,432)	(21,392)	(845)	(49,274)	(75,943)
Foreign exchange movement	(215)	(2,810)	(544)	2,195	(1,374)
Balance at September 30, 2021	\$ (83,942)	\$ (126,575)	\$ (28,631)	\$ (124,902)	\$ (364,050)
Depreciation	(2,027)	(12,747)	(502)	(31,591)	(46,867)
Disposals	-	-	-	20,369	20,369
Foreign exchange movement	(404)	(3,755)	(540)	(25,023)	(29,722)
<b>Balance at June 30, 2022</b>	<b>\$ (86,373)</b>	<b>\$ (143,077)</b>	<b>\$ (29,673)</b>	<b>\$ (161,157)</b>	<b>\$ (420,270)</b>
<b>Net book value</b>					
Balance at September 30, 2021	\$ 5,387	\$ 85,085	\$ 3,356	\$ 140,242	\$ 234,070
<b>Balance at June 30, 2022</b>	<b>\$ 5,381</b>	<b>\$ 74,384</b>	<b>\$ 2,912</b>	<b>\$ 91,949</b>	<b>\$ 174,626</b>

# RIVERSIDE RESOURCES INC.

(An Exploration Stage Enterprise)

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months June 30, 2022

(Unaudited - Expressed in Canadian Dollars)

## 9. Exploration and evaluation assets

For the period ended June 30, 2022

	Tajitos Mexico	La Silla Mexico	Australia Mexico	Ariel Mexico	Cecilia Mexico	Teco Mexico	Suaqui Verde Mexico	Los Cuarentas Mexico	El Valle, Llano del Nogalo & El Pima Mexico	Northwestern Ontario Canada	Total	
Acquisition costs	\$ 35,407	\$ 5,806	\$ 987	\$ 4,083	\$ 18,621	\$ 6,635	\$ 1,058	\$ 9,348	\$ 79,745	\$ 882	\$ -	\$ 162,572
Exploration costs:												
Assaying	-	-	-	-	-	-	-	-	10,241	-	35,832	46,073
Drilling	-	-	-	-	-	-	-	2,356	-	-	442,654	445,010
Field & camp costs	182	2,650	725	212	-	-	-	-	12,245	-	50,414	66,428
Geological consulting	19,198	13,781	276	14,671	2,489	138	1,938	10,402	118,094	821	188,214	370,022
Surveys & geophysics	-	-	-	-	-	-	-	-	-	-	-	-
Transport & support	1,749	8,395	3,297	2,510	-	1,907	-	946	16,255	-	49,972	85,031
Total current exploration costs	21,129	24,826	4,298	17,393	2,489	2,045	1,938	13,704	156,835	821	767,086	1,012,564
Professional & other fees:												
Professional consulting	-	18,000	-	9,000	-	9,000	-	-	-	-	1,500	37,500
Legal fees	17,037	-	-	-	-	-	-	555	9,195	(1,627)	-	25,160
Others	313	3,130	-	998	-	478	-	739	2,839	-	4,171	12,668
Total current professional & other fees	17,350	21,130	-	9,998	-	9,478	-	1,294	12,034	-	1,627	75,328
Total costs incurred during the period	73,886	51,762	5,285	31,474	21,110	18,158	2,996	24,346	248,614	76	772,757	1,250,464
Balance, Opening	2,697,156	562,511	39,432	121,874	1,228,630	240,710	30,285	193,064	132,575	6,799	836,420	6,089,456
Recoveries	-	-	-	-	(15,000)	-	(130,000)	-	(128,290)	-	(50,000)	(323,290)
Foreign exchange movements	60,993	8,481	1,316	1,628	17,351	6,473	813	7,403	12,622	179	-	117,259
Balance, End of the period	\$ 2,832,035	\$ 622,754	\$ 46,033	\$ 154,976	\$ 1,252,091	\$ 265,341	\$ (95,906)	\$ 224,813	\$ 265,521	\$ 7,054	\$ 1,559,177	\$ 7,133,889
Cumulative costs:												
Acquisition	\$ 1,146,022	\$ 68,982	\$ 4,553	\$ 17,188	\$ 643,435	\$ 86,800	\$ 5,927	\$ 220,636	\$ 110,900	\$ 5,300	\$ 74,453	\$ 2,384,196
Exploration	1,613,927	601,588	29,551	108,309	980,666	139,804	29,134	111,163	248,835	1,001	1,333,120	5,197,098
Professional & other fees	370,522	133,194	13,450	30,814	149,829	26,602	52	19,546	24,880	797	201,604	971,290
Recoveries	-	(164,000)	-	-	(612,500)	-	(130,000)	(122,519)	(128,290)	-	(50,000)	(1,207,309)
Foreign exchange movements	(298,436)	(17,010)	(1,521)	(1,335)	90,661	12,135	(1,019)	(4,013)	9,196	(44)	-	(211,386)
	\$ 2,832,035	\$ 622,754	\$ 46,033	\$ 154,976	\$ 1,252,091	\$ 265,341	\$ 95,906	\$ 224,813	\$ 265,521	\$ 7,054	\$ 1,559,177	\$ 7,133,889

# RIVERSIDE RESOURCES INC.

(An Exploration Stage Enterprise)

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended June 30, 2022

(Unaudited - Expressed in Canadian Dollars)

## 9. Exploration and evaluation assets (continued)

For the year ended September 30, 2021

	Tajitos Mexico	La Silla Mexico	Australia Mexico	Ariel Mexico	Cecilia Mexico	Teco Mexico	Suaqui Verde Mexico	Los Cuarentas Mexico	El Valle, Llano del La Union Nogalo & El Pima Mexico			Northwestern Ontario Canada	Total
Acquisition costs	\$ 80,110	\$ 6,670	\$ 911	\$ 3,870	\$ -	\$ 12,649	\$ 975	\$ 61,055	\$ 14,165	\$ 2,468	\$ 7,556	\$	\$ 190,429
Exploration costs:													
Assaying	-	946	-	-	-	-	-	-	592	-	3,467		5,005
Drilling	-	-	-	-	-	-	-	21,757	-	-	-		21,757
Field & camp costs	20,677	10,128	3,566	4,180	144	6,656	-	313	10,746	-	12,025		68,435
Geological consulting	21,820	46,458	312	7,924	750	6,237	-	2,494	39,504	-	110,590		236,089
Surveys & geophysics	-	-	-	-	-	-	-	-	-	-	76,658		76,658
Transport & support	18,624	26,607	303	5,735	1,404	3,774	4,634	724	10,111	-	55,307		127,223
Total current exploration costs	61,121	84,139	4,181	17,839	2,298	16,667	4,634	25,288	60,953	-	258,047		535,167
Professional & other fees:													
Professional consulting	-	26,273	-	4,000	52	12,000	52	2,440	5,000	-	53,327		103,144
Legal fees	39,057	352	-	-	658	-	-	623	4,416	1,934	-		47,040
Others	1,185	-	-	-	-	-	-	-	-	-	-		1,185
Total current professional & other fees	40,242	26,625	-	4,000	710	12,000	52	3,063	9,416	1,934	53,327		151,369
Total costs incurred during the year	181,473	117,434	5,092	25,709	3,008	41,316	5,661	89,406	84,534	4,402	318,930		876,965
Balance, Opening	2,460,312	438,112	33,405	95,192	1,305,696	193,987	23,864	100,264	47,271	2,354	517,490		5,217,947
Recoveries	-	-	-	-	(97,500)	-	-	-	-	-	-		(97,500)
Foreign exchange movements	55,371	6,965	935	973	17,426	5,407	760	3,394	770	43	-		92,044
Balance, End of the year	\$ 2,697,156	\$ 562,511	\$ 39,432	\$ 121,874	\$ 1,228,630	\$ 240,710	\$ 30,285	\$ 193,064	\$ 132,575	\$ 6,799	\$ 836,420	\$	\$ 6,089,456
Cumulative costs:													
Acquisition	\$ 1,110,615	\$ 63,176	\$ 3,566	\$ 13,105	\$ 624,814	\$ 80,165	\$ 4,869	\$ 211,288	\$ 31,155	\$ 4,418	\$ 74,453	\$	\$ 2,221,624
Exploration	1,592,798	576,762	25,253	90,916	978,177	137,759	27,196	97,459	92,000	180	566,034		4,184,534
Professional & other fees	353,172	112,064	13,450	20,816	149,829	17,124	52	18,252	12,846	2,424	195,933		895,962
Recoveries	-	(164,000)	-	-	(597,500)	-	-	(122,519)	-	-	-		(884,019)
Foreign exchange movements	(359,429)	(25,491)	(2,837)	(2,963)	73,310	5,662	(1,832)	(11,416)	(3,426)	(223)	-		(328,645)
	\$ 2,697,156	\$ 562,511	\$ 39,432	\$ 121,874	\$ 1,228,630	\$ 240,710	\$ 30,285	\$ 193,064	\$ 132,575	\$ 6,799	\$ 836,420	\$	\$ 6,089,456

# RIVERSIDE RESOURCES INC.

(An Exploration Stage Enterprise)

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended June 30, 2022

(Unaudited - Expressed in Canadian Dollars)

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## 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 owned 100% of the Peñoles Property, subject to a 2% NSR payable to the underlying concession holder.

On August 14, 2020, the Company completed the Arrangement and transferred its 100% interest of the Peñoles Project to Capitan as previously mentioned in Note 2. In connection with the Arrangement, the Company recognized a gain on spin-out of Peñoles Project of \$2,417,283 in consideration for 17,500,000 common shares of Capitan with a value of \$3,500,000. There were \$1,082,717 historical capitalized costs associated with this project transferred to Capitan.

### (b) Tajitos, Sonora, Mexico

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

### (c) 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. The Company has a 100% exploration concession interest in the La Silla Property.

### (d) Ariel, Sonora, Mexico

The Company acquired a 100% exploration concession interest in the Ariel Property on June 1, 2017.

### (e) 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 acquired a 100% interest in the La Cecilia Margarita concessions from Gunpoint in January 2020.

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.

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## 9. Exploration and evaluation assets (continued)

### (e) Cecilia, Sonora, Mexico (continued)

On July 15, 2020, the Company entered into an Definitive Option Agreement with Carlyle Commodities Corp. (“Carlyle”) whereby Carlyle could acquire a 100% interest in the Cecilia Property, by paying \$200,000 in cash, issuing 1,500,000 common shares and 3,000,000 special warrants, and incurring exploration expenditures of \$2,500,000 over a three-year period as per below, while retaining a 2.5% NSR.

Due date	Cash	Common shares	Special warrants	Exploration expenditures
June 23, 2020 (signing of LOI)	\$10,000 (received) <sup>(1)</sup>	-	-	-
July 15, 2020	\$40,000 (received) <sup>(2)</sup>	1,500,000 (received) <sup>(3)</sup>	3,000,000 (received) <sup>(3)</sup>	-
July 15, 2021	\$50,000 (received) <sup>(4)</sup>	-	-	\$ 750,000 (achieved)
July 15, 2022	\$50,000	-	-	\$ 500,000
July 15, 2023	\$50,000	-	-	\$ 1,250,000

<sup>(1)</sup> Option payments were received on June 23, 2020

<sup>(2)</sup> Option payment was received on July 16, 2020

<sup>(3)</sup> 1,500,000 common shares and 3,000,000 special warrants were received on July 13, 2020. The special warrants are subject to the following vesting schedule: 500,000 vested 12 months after issuance, 500,000 vested 18 months after issuance, 500,000 vested 24 months after issuance, 500,000 vested 30 months after issuance, and 1,000,000 vested 36 months after issuance. Unless the option agreement expires or is terminated, the special warrants will be converted to common shares in Carlyle with no additional consideration. Upon expiration or termination of the option agreement, any unvested special warrants are terminated. On July 13, 2021, 500,000 special warrants were vested and converted to common shares with a fair market value of \$47,500. On January 13, 2022, 500,000 special warrants were vested and converted to common shares with a fair market value of \$15,000.

<sup>(4)</sup> Option payment was received on July 12, 2021

On May 15, 2022, the Company received an option termination notification from its partner, Carlyle Commodities Corp., stating that it would be terminating its option to earn a 100% interest in the Cecilia Project.

During the period ended June 30, 2022, the Company recognized and received \$nil (September 30, 2021- \$51,101) as operational fee recovery.

### (f) Teco, Sonora, Mexico

The Company has a 100% ownership interest in the Teco Project which is made up of two concessions: Teco and Suaqui Grande.

### (g) Australia, Sonora, Mexico

The Company has a 100% interest ownership interest in the Australia Project which is made up of two concessions: Sandy and Sandy 2.



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## 9. Exploration and evaluation assets (continued)

### (h) Suaqui Verde, Suaqui Grande, Mexico

The Company has a 100% interest in Suaqui Verde and Suaqui Grande Properties.

On December 24, 2021, the Company entered into an Definitive Option Agreement with Southern Empire Resource Corp. (“Southern Empire”) whereby Southern Empire could acquire a 100% interest in the Suaqui Verde Property, by paying \$112,500 in cash, issuing 1,625,000 common shares while retaining a 2.5% NSR on precious metal products and 1.75% NSR on base metal products. The transaction details as below:

<b>Due date</b>	<b>Cash</b>	<b>Common shares</b>
Upon the closing date (December 24, 2021)	\$ 25,000 (paid)	500,000 (received)
On or before the first anniversary of the closing date (December 24, 2022)	\$ 37,500	550,000
On or before the second anniversary of the closing date (December 24, 2023)	\$ 50,000	575,000

On October 1, 2021, the Company received the payment of \$50,000 for granting an exclusivity period of 60 days from October 1, 2021 to complete its due diligence on the Suaqui Verde property.

### (i) Los Cuarentas, Sonora, Mexico

On June 24, 2019, the Company entered into a binding letter agreement (“Letter Agreement”) with 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). During the year ended September 30, 2021, the Company has officially obtained ownership of the properties of Llano del Nogalo and El Valle.

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## 9. Exploration and evaluation assets (continued)

### (j) La Union, Sonora, Mexico

The Company has a 100% exploration concession interest in the La Union Property.

On May 5, 2022, the Company entered into a Exploration Earn-In Agreement (the “Agreement”) with Minera Hochschild Mexico, S.A. de C.V. (“Hochschild”), a wholly-owned subsidiary of Hochschild Mining PLC for the Company’s 100% owned La Union Gold Project (the “Project”).

#### Details of the Agreement:

- Phase I Earn-in Option: Hochschild can earn-in an undivided 51% by incurring US\$8,000,000 in exploration expenditures over five (5) years.

In connection with the Agreement, the Company would receive US\$100,000 concurrently with the execution of the Agreement. Subsequently, on the 6 months after the effective date of May 5, 2022, the Company would receive a sum of US\$150,000 for the reimbursement of maintenance fees on the concessions to be paid in August 2022.

Hochschild is to incur expenditures as listed in the table below totaling at least US\$8,000,000 of qualifying exploration expenditures before the fifth anniversary of the effective date of the executed Agreement.

<b>Due date</b>	<b>Cumulative exploration expenditures</b>
May 5, 2023 (1 <sup>st</sup> anniversary of the effective date)	US\$700,000
May 5, 2024	US\$1,700,000
May 5, 2025	US\$2,700,000
May 5, 2026	US\$5,000,000
May 5, 2027	US\$8,000,000

Upon completion of Phase I obligations, Hochschild can elect to form a 51:49 joint venture.

- Phase II Earn-in Option: Hochschild can elect to earn an additional 24% by incurring a further US\$3,000,000 in qualifying exploration expenditures and delivering a completed feasibility study.

<b>Due date</b>	<b>Cumulative exploration expenditures</b>
May 5, 2028	US\$9,000,000
May 5, 2029	US\$10,000,000
May 5, 2030	US\$11,000,000

Upon Hochschild's completion of the Phase II Earn-in and Riverside's acceptance, the parties can form a Joint Venture with Riverside having a 25% interest, and Hochschild having 75% interest. Riverside will have the option to sell its interest in the project to Hochschild for US\$20,000,000, while retaining a 1% Net Smelter Royalty (NSR).

During the period ended June 30, 2022, the Company recognized and received \$15,281 (September 30, 2021- \$nil) as operational fee recovery.

On July 18, 2022, Hochschild initiated the termination of the Exploration Earn-In Agreement for the La Union project, by undertaking the costs of reclamation works and the federal annual concession maintenance fees due prior to October 16, 2022.

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For the nine months ended June 30, 2022

(Unaudited - Expressed in Canadian Dollars)

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## 9. Exploration and evaluation assets (continued)

### (k) Northwestern Ontario, Canada

In April 2019, the Company acquired a 100% interest in the Oakes, Longrose, Pichette and Vincent projects in Northwestern Ontario, Canada. In July 2020, the Company expanded and acquired a 100% interest in the High Lake (Kenora) project in Western Ontario, Canada.

On February 10, 2021, the Company announced the sales of Oakes, Pichette and Longrose projects in northwestern Ontario for 8,000,000 common shares and a one-time bonus \$500,000 in cash or share consideration for drill results of 100 g/m gold intercept at any of the three properties sold by the Company to iMetal Resources Inc. (“iMetal”), as well as the Company retaining a 2.5% Net Smelter Royalty (NSR) on each project. On November 18, 2021, the Company terminated the proposed acquisition with iMetal. As at June 30, 2022, the Company had a total receivable of \$36,104 related to the exploration expenditures to be reimbursed by iMetal. During the period ended June 30, 2022, the Company received \$36,104 from iMetal.

On October 28, 2021, the Company entered into an Definitive Option Agreement with Golden Retriever Minerals Ltd. (“Golden Retriever”) whereby Golden Retriever could acquire a 100% interest in the High Lake Property, by paying \$125,000 in cash while retaining a 2% NSR. The transaction details as below:

- \$50,000 to be paid to Riverside on closing date of October 28, 2021 (Paid).
- \$75,000 to be paid to Riverside before the 28th of March 2022.
- Riverside would be granted a 2% NSR on each of the Royal, Canoe and Electrum Projects. Each of the royalty granted on each project can be bought down to 1% for a total of \$2,000,000 for a determined period of time. Once the final option payment is made to Riverside and should the option not be completed then the properties are fully returned to Riverside in good standing.

## 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:

	June 30, 2022	September 30, 2021
Payables to vendors	\$ 153,215	\$ 474,271
Exploration advances*	3,331,877	2,423,630
	<u>\$ 3,485,092</u>	<u>\$ 2,897,901</u>

\*Exploration advances is in connection to the BHP, Carlyle and Hochschild projects. Refer to Note 9 (e), (i) (j) and the following exploration alliance program for further details.

# RIVERSIDE RESOURCES INC.

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(Unaudited - Expressed in Canadian Dollars)

## 10. Accounts payable and accrued liabilities (continued)

### Exploration Financing Agreement (the "EFA") Program with BHP

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").

On April 8, 2021, the Company received US\$546,708 as the second part of exploration advances for the generative exploration during the period from January 1 to May 15, 2021 in the second year. As of May 15, 2021, the Company had spent the US\$546,708 for the second part of generative exploration in the second year.

On July 16, 2021, the Company received US\$650,747 as the first part of exploration advances for the generative exploration during the period from May 15 to October 31, 2021 in the third year. As of October 31, 2021, the Company had spent the US\$650,747 for the first part of generative exploration in the third year.

On August 10, 2021, the Company received US\$536,665 as exploration advance for the additional Penitas project under the third High Value Work Program ("HVWP") and received US\$926,609 as exploration advance for the additional Sinoquipe project under the fourth HVWP for the exploration expenditures incurred from June to December 2021. During the period ended June 30, 2022, the Company had completed and spent the US\$926,609 for Sinoquipe project under the fourth HVWP.

On November 2, 2021, the Company received US\$745,414 as exploration advance for the Palofierro project and received US\$191,293 as an advance for the acquisition of Esperanza concession from Chuin project under the fourth HVWP for the exploration expenditures incurred from November 2021 to May 2022. During the period ended June 30, 2022, the Company had completed and spent the US\$191,293 for Chuin project under the fourth HVWP.

On January 5, 2022, the Company received US\$689,713 as the second part of exploration advances for the generative exploration during the period from November 1, 2021 to May 15, 2022 in the third year. As of May 15, 2022, the Company had spent the US\$689,713 for the second part of generative exploration in the third year.

April 11, 2022, the Company signed an option agreement with Orogen Royalties Corp. ("Orogen") to acquire 100% interest in the Llano de Nogal copper project (the "Project") in Sonora, Mexico as a new property acquisition within the BHP- Riverside Sonora Mexico Exploration Financing Agreement ("EFA"). The Llano de Nogal Project will become the fifth active high value work program with the EFA.

The EFA Program is structured such that the Company can earn up to 20% and BHP can earn up to 80% in the Project as laid out in the financing agreement dated on May 15, 2019, which in this specific third-party property option case by making cash payments of US\$2,480,000 and US\$5,000,000 in exploration expenditures subject to the following schedule which would give BHP-Riverside 100% ownership of the tenure, subject to NSRs:

Due date	Cash	Cumulative exploration expenditures
April 11, 2022 (upon closing date)	US\$30,000	-
April 11, 2023	US\$50,000	US\$500,000
April 11, 2024	US\$50,000	US\$1,300,000
April 11, 2025	US\$100,000	US\$2,000,000
April 11, 2026	US\$200,000	US\$3,000,000
April 11, 2027	US\$300,000	US\$4,000,000
April 11, 2028	US\$1,750,000	US\$5,000,000

During the option period, Orogen and the Company would jointly have the right to exercise and retain any Net Smelter Return ("NSR") royalty buydown rights with respect to the Suanse claims (0.5% NSR royalty for \$1,000,000) and the Coyotes claims (1.5% NSR royalty for US\$1,500,000).

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## 10. Accounts payable and accrued liabilities (continued)

### Exploration Financing Agreement (the "EFA") Program with BHP (continued)

Once the option is exercised on Llano de Nogal, the optionee will grant to Orogen a 1% production royalty, of which 0.5% can be purchased for US\$10,000,000 within 10 years of the exercise date.

The Company's mineral concessions at the current time are still controlled by the Company but may be added to BHP's earn in interest in the future. Currently, the Company controls these 100% for Llano de Nogal of Riverside.

On April 12, 2022, the Company received US\$1,193,736 as exploration advances from BHP for the Llano de Nogal Project for the exploration activities from April 2022 to March 2023.

During the period ended June 30, 2022, the Company recognized and received \$225,361 (September 30, 2021-\$266,309) as operational fee recovery relating to activities of the EFA program

During the period ended June 30, 2022, the Company recognized the \$128,668 (September 30, 2021-\$127,595) for the rental vehicles and exploration equipment recovery as other income.

## 11. Government loan

In May 2020, the Company secured a \$40,000 interest-free operating line of credit after applying for the government-sponsored Canada Emergency Business Account ("CEBA") under the Government of Canada COVID-19 relief program.

### Terms of the CEBA loan:

- The CEBA funds are intended for non-deferrable operating expenses, including but not limited to payroll, rent and insurance,
- If there is a balance outstanding after December 31, 2020, the remaining outstanding amount will be converted into a 2-year interest-free term loan effective January 1st, 2021,
- If \$30,000 is repaid by December 31, 2022, \$10,000 of the loan will be forgiven,
- On December 31, 2022, the term loan will be automatically extended for another 3 years at the rate of 5% per annum on any balance remaining.

The Company has estimated the initial carrying value of the CEBA loan at \$30,927, using a discount rate of 10%, which was the estimated rate for a similar loan without the interest-free component. The difference of \$9,073 will be accredited to the loan liability over the term of the CEBA loan and offset to other income on the statements of income (loss) and comprehensive income (loss).

The details of the CEBA loan is as follows:

		June 30, 2022		September 30, 2021
<b>Opening balance</b>	\$	-	\$	31,970
Interest expense		-		2,299
Repayment		-		(30,000)
Forgiveness of the accrued interests		-		(4,269)
<b>Ending balance</b>	\$	-	\$	-

On June 11, 2021, the Company repaid \$30,000 cash payment for the CEBA loan and accordingly, the accrued interests of \$4,269 was forgiven as per the terms of the loan agreement.

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## 12. 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 period ended June 30, 2022

On February 15, 2022, the Company completed its non-brokered private placement of charity flow-through shares for gross proceeds of 720,475. The Company issued 3,430,833 flow-through shares at a price of \$0.21 per share. No share issuance cost incurred for this financing. A flow through premium liability of \$171,541 was recognized with respect to these charity flow-through shares. During the period ended June 30, 2022, \$133,384 flow-through premium liability was amortized and settled in connection with the related flow-through expenditures made.

#### Shares issued for the year ended September 30, 2021

- (a) During the year ended September 30, 2021, the Company issued 2,173,000 common shares for the exercise of warrants for net proceeds of \$366,285.
- (b) During the year ended September 30, 2021, the Company issued 717,500 common shares for the exercise of options for net proceeds of \$79,925, and the Company transferred \$60,665 from reserves to share capital.

### Share purchase and finders' warrants

	Number of warrants	Weighted average exercise price
Outstanding warrants, September 30, 2020	13,297,932	\$ 0.22
Exercised	(2,173,000)	0.22
Expired	(11,124,932)	0.22
Outstanding warrants, September 30, 2021 and June 30, 2022	-	\$ -

Capitan was liable to issue shares pursuant to the Arrangement, whereby a holder exercised a Riverside warrant they would be entitled to receive one new Riverside common share and 0.2594 of a Capitan common share. The exercise price of the Riverside warrants would remain the same; however, Riverside would need to compensate Capitan for each Capitan common share that was issued on exercise of a Riverside warrant. During the year ended September 30, 2021, 2,173,000 of Riverside's warrants were exercised, as a result, Capitan issued 563,676 common shares and Riverside compensated Capitan for \$111,775.

The incremental fair value of 22,000 finders' warrants repriced during the year ended September 30, 2020, as result of the Arrangement, was estimated to be \$768 on the modification date using the Black-Scholes option pricing model with the following weighted average assumptions: Risk-free interest rate – 0.27%, Expected life – 0.59 year, expected volatility - 114.05%, Expected dividend yield – Nil, Weighted average fair value per warrant - \$0.30.

On March 19, 2021, the 22,000 finder's warrants expired unexercised.

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## 12. Capital stock and reserves (continued)

### Share purchase and finders' warrants (continued)

#### 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 Bonus Plan puts the number of bonus shares that may be issued under the Bonus Plan to be 400,000 common shares per year. During the period ended June 30, 2022, nil (September 30, 2021 - nil) 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 nine months ended June 30, 2022, using the Black-Scholes option pricing model was \$98,039 (September 30, 2021 - \$272,362), of which \$nil was associated with the incremental fair value of stock options repriced as a result of the Arrangement. The associated share-based payment expense for the options granted during the year was calculated based on the following weighted average assumptions:

	June 30, 2022	September 30, 2021
Forfeiture rate	0.00%	0.00%
Estimated risk-free rate	1.12%	1.16 %
Expected volatility	88.29%	89.30%
Estimated annual dividend yield	0.00 %	0.00 %
Expected life of options	5.00 years	5.00 years
Fair value per option granted	\$ 0.16	\$ 0.20

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## 12. Capital stock and reserves (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, 2020	3,870,500	\$ 0.18
Expired	(15,000)	\$ 0.11
Granted	1,330,000	\$ 0.30
Exercised	(717,500)	\$ 0.11
Forfeited	(85,000)	\$ 0.21
Outstanding options, September 30, 2021	4,383,000	\$ 0.23
Expired	(895,000)	\$ 0.32
Granted	1,000,000	\$ 0.16
Forfeited	(460,000)	\$ 0.21
Outstanding options, June 30, 2022	4,028,000	\$ 0.19

During the nine months ended June 30, 2022, 460,000 stock options were forfeited and 895,000 stock options expired unexercised.

During the year ended September 30, 2021, 717,500 stock options were exercised, 85,000 stock options were forfeited and 15,000 stock options expired unexercised.

On October 19, 2020, the Company granted 1,330,000 incentive stock options (the "Options") to certain directors, officers and consultants of the Company. The Options are exercisable at \$0.30 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 17, 2021, the Company granted 1,000,000 incentive stock options (the "Options") to certain directors, officers and consultants of the Company. The Options are exercisable at \$0.16 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 June 30, 2022, 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
11/03/2022	578,000	0.35	\$ 0.21	578,000
01/08/2024	475,000	1.53	\$ 0.13	475,000
11/15/2024	725,000	2.38	\$ 0.11	725,000
03/27/2025	100,000	2.74	\$ 0.12	100,000
10/19/2025	1,200,000	3.31	\$ 0.30	1,200,000
11/17/2026	950,000	4.39	\$ 0.16	441,667
	4,028,000			3,519,667

\*According to the Arrangement with Capitan on August 14, 2020, each Riverside Option were exchanged for one Riverside Replacement Option to acquire one New Riverside Share and one Capitan Option to acquire 0.2594 of a Capitan Share. As a result, the above exercise prices have been properly reflected to the new Riverside Replacement Option prices.



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## 13. Related party transactions

The Company entered into the following transactions with related parties:

Payee / Payer	Nature of transactions	Period ending June,	Fees (Income) (\$)	Shares (\$)	Amount payable (receivable) at period end (\$)
Arriva Management Inc.	Management and consulting fees (i)	2022	174,600	Nil	Nil
		2021	175,500	Nil	Nil
GSBC Financial Management Inc.	Management and consulting fees (i)	2022	72,000	Nil	Nil
		2021	72,000	Nil	Nil
Alberto Orozco	Consulting fees (i)	2022	-	Nil	Nil
		2021	479	Nil	Nil
FT Management Inc.	Management and consulting fees (i) and Rent (iii)	2022	133,200	Nil	Nil
		2021	110,446	Nil	Nil
Omni Resource Consulting Ltd.	Consulting fees (i)	2022	51,000	Nil	Nil
		2021	42,000	Nil	Nil
Brian Groves	Director fees	2022	9,000	Nil	Nil
		2021	9,000	Nil	Nil
Carol Ellis	Director fees	2022	6,000	Nil	Nil
		2021	9,000	Nil	Nil
Wendy T Chan	Director fees	2022	3,000	Nil	Nil
		2021	-	Nil	Nil
Walter Henry	Director fees	2022	9,000	Nil	Nil
		2021	9,000	Nil	Nil
First Helium Inc.	Rent (ii)	2022	-	Nil	Nil
		2021	(18,000)	Nil	Nil

The remuneration of related parties during the period ended June 30, 2022 and 2021 are as follows:

	2022	2021
Directors' fees	\$ 27,000	\$ 27,000
Management and consulting fees (i)	387,150	299,979
Share-based payments	<u>61,666</u>	<u>113,213</u>
	\$ 475,816	\$ 440,192

- (i) Management and consulting fees of the key management personnel for the nine months ended June 30, 2022 were allocated as follows: \$170,550 (2021 - \$81,000) expensed to consulting fees, \$154,500 (2021 - \$81,100) capitalized to exploration and evaluation assets and \$62,100 (2021 - \$137,879) capitalized to exploration work performed for alliances that will be reimbursed.
- (ii) From February 2019 to June 2021, 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 nine months ended June 30, 2022, the Company recognized rental recovery of \$nil (2021 - \$12,000) from First Helium, which was recorded in other income.
- (iii) During the nine months ended June 30, 2022, the Company incurred rent expense of \$43,650 (2021 - \$60,946) as a result of a shared office space with FT Management Inc., a company controlled by spouses of officers of the Company.

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## 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. Geographical information is as follows:

	June 30, 2022	September 30, 2021
Equipment		
Canada	\$ 3,613	\$ 4,332
Mexico	171,013	229,738
	174,626	234,070
Exploration and evaluation assets		
Canada	1,559,176	836,420
Mexico	5,574,715	5,253,036
	7,133,891	6,089,456
Total	\$ 7,308,517	\$ 6,323,526

## 15. Supplemental disclosure with respect to cash flows

	June 30, 2022	September 30, 2021
Cash	\$ 7,199,790	\$ 5,837,104
Cash equivalents	135,580	135,280
	7,335,370	5,972,384

The significant non-cash transactions for the period ended June 30, 2022 were as follows:

- Included in accounts payable was \$224,240 in exploration and evaluation asset expenditures.
- The Company received 500,000 Carlyle shares valued at \$15,000 as exploration and evaluation assets recoveries (Note 9 (e)).
- The Company received 500,000 Southern Empire shares valued at \$55,000 as exploration and evaluation assets recoveries (Note 9 (h)).

The significant non-cash transactions for the year ended September 30, 2021 were as follows:

- The Company received 500,000 Carlyle shares valued at \$47,500 as exploration and evaluation assets recoveries (Note 9 (e)).
- Included in accounts payable was \$126,591 in exploration and evaluation asset expenditures.

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## 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 period ended June 30, 2022.

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 cash and cash equivalents, receivables, accounts payable and accrued liabilities and government loan approximate carrying value, which is the amount recorded on the statements of financial position. The fair value of the Company's public company short-term investments, are based on level 1 quoted prices in active markets for identical assets and liabilities. Financial instruments valued at level 2 inputs consist of the Company's private company short-term investments. The key assumptions driving the valuation of the private company short-term investments include, but are not limited to the value of completed financings by the investee.

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. 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 June 30, 2022, the Company had cash and cash equivalents of \$7,335,370 to settle current liabilities of \$4,575,429. The Company believes it has sufficient funds to meet its current liabilities as they become due.

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## 17. Financial instruments (continued)

### *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 June 30, 2022, the Company had investments in short-term deposit certificates of \$23,000.

### *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 \$530,631.

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 \$37,091.

## 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 RRM. 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.

As at June 30, 2022, the Company adjusted the provisional liability to \$1,052,180 (September 30, 2021 - \$1,022,086) as a result of the foreign exchange movement. The Company is currently negotiating with the tax authority on a settlement.

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## **19. Subsequent event**

On July 18, 2022, Hochschild initiated the termination of the Exploration Earn-In Agreement for the La Union project, by undertaking the costs of reclamation works and the federal annual concession maintenance fees due prior to October 16, 2022.