

RIVERSIDE RESOURCES INC.

(An Exploration Stage Enterprise)

(Expressed in Canadian Dollars)

Condensed Interim Consolidated Financial Statements

For the Six Months Ended March 31, 2020

(Unaudited- Prepared by Management)

RIVERSIDE RESOURCES INC.

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March 31, 2020

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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 six months ended March 31, 2020 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
(Unaudited- Expressed in Canadian Dollars)

	Note	March 31, 2020	September 30, 2019
Assets			
Current assets:			
Cash and cash equivalents	14	\$ 2,452,490	\$ 3,443,996
Short-term investments	5	1,540,800	1,698,383
Receivables	6	494,477	487,391
Prepaid expenses	7	101,363	101,498
		4,589,130	5,731,268
Equipment	8	160,460	173,250
Exploration and evaluation assets	9	6,445,128	6,436,939
		\$ 11,194,718	\$ 12,341,457

Liabilities and Shareholders' Equity

Current liabilities:			
Accounts payable and accrued liabilities	10	\$ 773,661	\$ 1,175,052
Provision liability	17	987,223	1,103,819
		1,760,884	2,278,871
Shareholders' equity:			
Capital stock	11	27,400,879	27,344,879
Share subscription received in advance	11	58,000	-
Reserves	11	3,383,324	3,292,422
Deficit		(19,219,028)	(19,227,987)
Accumulated other comprehensive loss		(2,189,341)	(1,346,728)
		9,433,834	10,062,586
		\$ 11,194,718	\$ 12,341,457

Nature and continuance of operations (Note 1)

Subsequent events (Note 18)

On behalf of the Board on May 25, 2020

“Walter Henry” Director
Water Henry

“Carol Ellis” Director
Carol Ellis

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)

(Unaudited- Expressed in Canadian Dollars)

	Note	3 Month Ended March 31,2020	3 Month Ended March 31,2019	6 Month Ended March 31,2020	6 Month Ended March 31,2019
Expenses					
Consulting fees	12	\$ 67,611	\$ 81,719	\$ 129,093	\$ 157,346
Depreciation	8	14,076	4,290	27,716	8,004
Director fees	12	9,000	9,000	18,000	21,000
Foreign exchange (gain) loss		(144,592)	23,811	(112,767)	(59,081)
General and administration		74,226	35,480	91,620	61,086
Investor relations	12	78,919	68,655	137,025	120,871
Professional fees		197,277	30,394	247,071	54,629
Property investigation and evaluation		602	7,873	2,301	7,873
Rent		20,316	19,348	39,664	38,696
Share-based payments	11,12	60,564	45,413	90,902	54,480
Finance income		(22,748)	(6,868)	(35,403)	(10,391)
Other income	5, 12	(32,557)	(209,936)	(38,557)	(534,936)
Gain on debt settlement		-	(4,995)	-	(26,846)
Unrealized loss (gain) on short-term investments	5	354,541	(186,084)	(990,738)	(126,271)
Realized loss on short-term investments	5	-	-	385,114	-
Net income (loss) for the period		(677,235)	81,900	8,959	233,540
Foreign exchange movements		(986,648)	(45,461)	(842,613)	(14,029)
Comprehensive income (loss) for the period		(1,663,883)	36,439	(833,654)	219,511
Income (Loss) per share – basic and diluted		\$ (0.01)	\$ 0.00	\$ 0.00	\$ 0.01
Weighted average number of common shares outstanding					
– basic and diluted		63,104,924	47,383,007	62,972,336	45,980,920

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 six months ended March 31,

(Unaudited- Expressed in Canadian Dollars)

	Note	2020	2019
OPERATING ACTIVITIES			
Net income for the period		\$ 8,959	\$ 233,540
Items not involving cash			
Depreciation	8	27,716	8,004
Share-based payments	11,12	90,902	54,480
Realized loss on short-term investments	5	385,114	-
Unrealized (gain) loss on short-term investments	5	(990,738)	(126,271)
Other income	5,12	(38,557)	(502,334)
Change in non-cash working capital items:			
Prepaid expenses		135	(9,463)
Receivables		10,471	76,329
Accounts payable and accrued liabilities		(117,439)	(18,586)
		(623,437)	(284,301)
INVESTING ACTIVITIES			
Exploration advances – accounts payable and accrued liabilities		(369,379)	-
Exploration and evaluation assets		(594,083)	(714,384)
Purchase of equipment	8	(33,162)	-
Sale of short-term investments	5	784,207	-
		(212,417)	(714,384)
FINANING ACTIVITIES			
Proceeds from shares issuance, net of issuance costs	11	-	2,653,661
Share subscriptions received in advance	11	58,000	-
		58,000	2,653,661
Effect of foreign exchange on cash and cash equivalents		(213,652)	(8,107)
Increase (decrease) in cash and cash equivalents		(991,506)	1,646,869
Cash and cash equivalents, beginning of the period		3,443,996	2,060,078
Cash and cash equivalents, end of the period		\$ 2,452,490	\$ 3,706,947

Supplemental disclosures with respect to cash flows (Note 14)

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		Share			Accumulated	
	Note	Shares	Amount	subscriptions	Reserves	Deficit	other	Total
				received in			comprehensive	
				advance			loss	
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	2,652,051	-	1,610	-	-	2,653,661
Performance bonus shares	11	265,000	47,700	-	-	-	-	47,700
Share issued for mineral property	9	300,000	51,000	-	-	-	-	51,000
Share-based payments	11	-	-	-	54,480	-	-	54,480
Loss for the period		-	-	-	-	233,540	-	233,540
Foreign exchange movements		-	-	-	-	-	(14,029)	(14,029)
Balance at March 31, 2019		62,691,188	27,341,179	-	3,250,505	(17,683,616)	(1,138,839)	11,769,229
Balance at September 30, 2019		62,841,188	27,344,879	-	3,292,422	(19,227,987)	(1,346,728)	10,062,586
Issued for:								
Share issued for mineral property	9,11	400,000	56,000	-	-	-	-	56,000
Share subscription received in advance	11	-	-	58,000	-	-	-	58,000
Share-based payments	11	-	-	-	90,902	-	-	90,902
Loss for the period		-	-	-	-	8,959	-	8,959
Foreign exchange movements		-	-	-	-	-	(842,613)	(842,613)
Balance at March 31, 2020		63,241,188	\$ 27,400,879	\$ 58,000	\$ 3,383,324	\$ (19,219,028)	\$ (2,189,341)	\$ 9,433,834

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 six months ended March 31, 2020

(Unaudited- Expressed in Canadian Dollars)

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.

On October 30, 2019, the Company incorporated a new subsidiary, Capitan Mining Inc. and Rios DE Suerte S.A de C.V., another new subsidiary was incorporated on November 29, 2019.

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.

The condensed interim consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) for interim information, specifically International Accounting Standards (“IAS”) 34 - *Interim Financial Reporting*. In addition, the condensed interim consolidated financial statements have been prepared using interpretations issued by the International Financial Reporting Interpretation Committee (“IFRIC”) and the same accounting policies and methods of their application as the most recent annual financial statements of the Company. These condensed interim consolidated financial statements do not include all disclosures normally provided in the annual financial statements and should be read in conjunction with the Company’s audited financial statements for the year ended September 30, 2019. In management’s opinion, all adjustments necessary for fair presentation have been included in these condensed interim consolidated financial statements. Interim results are not necessarily indicative of the results expected for the year ended September 30, 2020.

2. Basis of presentation

These condensed interim consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments as 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.

3. Statement of compliance

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”.

RIVERSIDE RESOURCES INC.

(An Exploration Stage Enterprise)

Notes to the Condensed Interim Consolidated Financial Statements for the six months ended March 31, 2020

(Unaudited- Expressed in Canadian Dollars)

4. Significant accounting policies

(a) Principles of consolidation

These condensed interim 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
Rios DE Suerte S.A 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
Capitan Mining Inc.	Canada	100%	Mineral exploration

New Accounting Policies Adopted

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

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.

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.

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Notes to the Condensed Interim Consolidated Financial Statements for the six months ended March 31, 2020

(Unaudited- Expressed in Canadian Dollars)

4. Significant accounting policies (continued)

New Accounting Policies Adopted (continued)

IFRS 9, *Financial Instruments* (continued)

Financial assets (continued)

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.

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.

RIVERSIDE RESOURCES INC.

(An Exploration Stage Enterprise)

Notes to the Condensed Interim Consolidated Financial Statements for the six months ended March 31, 2020

(Unaudited- Expressed in Canadian Dollars)

4. Significant accounting policies (continued)

New Accounting Policies Adopted (continued)

IFRS 9, *Financial Instruments* (continued)

Financial liabilities (continued)

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 16 for additional details.

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.

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

On October 1, 2019, the Company has adopted 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.

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Notes to the Condensed Interim Consolidated Financial Statements for the six months ended March 31, 2020

(Unaudited- Expressed in Canadian Dollars)

4. Significant accounting policies (continued)

New Accounting Policies 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:

	March 31, 2020			September 30, 2019		
	Number of shares	Cost	Fair market value	Number of shares	Cost	Fair market value
Arcus Development Group Inc.	29,000	\$ 11,020	\$ 290	29,000	\$ 11,020	\$ 870
Arizona Metals Corp. (formerly Croesus Gold Corp.) (“Croesus”) ⁽¹⁾	2,900,000	770,689	1,102,000	7,300,000	1,940,010	1,277,500
Guerrero Exploration Inc.	1,926,000	343,049	-	1,926,000	343,049	-
E3 Metals Corp. ⁽²⁾	-	-	-	-	-	-
Sierra Madre Developments Inc. ⁽³⁾	1,250,322	1,103,791	37,510	1,250,322	1,103,791	50,013
Silver Viper Minerals Corp.	1,000,000	250,000	280,000	1,000,000	250,000	270,000
Sinaloa Resources Corp. ⁽⁴⁾	1,000,000	100,000	100,000	1,000,000	100,000	100,000
First Helium Inc. ⁽⁵⁾	300,000	21,000	21,000	-	-	-
		\$ 2,599,549	\$ 1,540,800		\$ 3,747,870	\$ 1,698,383

⁽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.

On November 13, 2019, the Company sold 4,400,000 shares for net proceed of \$784,207.

⁽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 (c) for additional details.

⁽⁵⁾ On November 30, 2019, the Company received 300,000 shares of First Helium Inc. to settle \$21,000 in debt. Please refer to Note 12 (iii) & Note 14 (a) for additional details.

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Notes to the Condensed Interim Consolidated Financial Statements for the six months ended March 31, 2020

(Unaudited- Expressed in Canadian Dollars)

6. Receivables

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

	March 31, 2020	September 30, 2019
GST recoverable amounts in Canada	\$ 25,456	\$ 15,070
IVA recoverable amounts in Mexico	440,209	432,698
Land taxes recovery in Mexico	20,412	22,823
Other receivable	8,400	16,800
	<u>\$ 494,477</u>	<u>\$ 487,391</u>

7. Prepaid expenses

The breakdown of prepaid expenses is as follows:

	March 31, 2020	September 30, 2019
Conferences and courses	\$ 33,308	\$ 39,479
Expense advances	49,873	39,342
Insurance	7,355	10,216
Rent	10,827	12,461
	<u>\$ 101,363</u>	<u>\$ 101,498</u>

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Notes to the Condensed Interim Consolidated Financial Statements for the six months ended March 31, 2020

(Unaudited- Expressed in Canadian Dollars)

8. Equipment

	Computer hardware	Exploration equipment	Furniture & fixtures	Vehicles	TOTAL
Cost					
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
Additions	33,162	-	-	-	33,162
Foreign exchange movement	(7,104)	(11,495)	(2,317)	(18,276)	(39,192)
Balance at March 31, 2020	\$ 129,089	\$ 112,333	\$ 31,294	\$ 154,743	\$ 427,459
Accumulated depreciation					
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)
Depreciation	(4,716)	(2,131)	(557)	(20,312)	(27,716)
Foreign exchange movement	1,980	9,937	1,964	7,075	20,956
Balance at March 31, 2020	\$ (87,808)	\$ (94,960)	\$ (26,679)	\$ (57,552)	\$ (266,999)
Net book value					
Balance at September 30, 2019	\$ 17,959	\$ 21,062	\$ 5,525	\$ 128,704	\$ 173,250
Balance at March 31, 2020	\$ 41,281	\$ 17,373	\$ 4,615	\$ 97,191	\$ 160,460

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Notes to the Condensed Interim Consolidated Financial Statements for the six months ended March 31, 2020

(Unaudited- Expressed in Canadian Dollars)

9. Exploration and evaluation assets

For the period ended March 31, 2020

	Penoles Mexico	Tajitos Mexico	La Silla Mexico	Australia Mexico	Ariel Mexico	Cecilia Mexico	Teco Mexico	Suaqui Verde Mexico	Los Cuarentas Mexico	La Union Mexico	El Valle, Llano del Nogalo & El Pima Mexico	Western Ontario Canada	Total
Acquisition costs	\$ 23,678	\$ 42,032	\$ 2,872	\$ 478	\$ 2,033	\$ 194,866	\$ 6,644	\$ 512	\$ 32,063	\$ 9,995	\$ 1,227	\$ 2,650	\$ 319,050
Exploration costs:													
Assaying	408	-	-	-	-	-	-	-	1,007	-	-	3,294	4,709
Field & camp costs	10,538	2,363	915	2,285	900	327	5,779	1,281	2,073	7,378	-	1,868	35,707
Geological consulting	67,472	375	-	34	-	9,528	4,417	-	33,432	5,417	-	38,448	159,123
Transport & support	22,983	4,383	2,203	1,681	2,048	5,777	-	-	14,143	10,350	133	35,831	99,532
Total current exploration costs	101,401	7,121	3,118	4,000	2,948	15,632	10,196	1,281	50,655	23,145	133	79,441	299,071
Professional & other fees:													
Professional consulting	6,000	7,271	12,000	1,541	-	3,000	-	-	-	-	-	55,000	84,812
Legal fees	3,293	-	3,988	11,909	-	1,056	109	-	-	-	490	-	20,845
Others	1,131	2,063	-	-	1,168	140	-	-	396	3,026	-	3,808	11,732
Total current professional & other fees	10,424	9,334	15,988	13,450	1,168	4,196	109	-	396	3,026	490	58,808	117,389
Total costs incurred during the period	135,503	58,487	21,978	17,928	6,149	214,694	16,949	1,793	83,114	36,166	1,850	140,899	735,510
Balance, Opening	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
Recoveries	-	-	-	-	-	-	-	-	-	-	-	-	-
Write off	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange movements	(392,356)	(201,505)	(26,329)	(3,469)	(3,729)	(63,395)	(19,584)	(2,786)	(10,561)	(3,382)	(225)	-	(727,321)
Balance, End of the period	\$ 1,103,730	\$ 2,377,795	\$ 398,492	\$ 29,775	\$ 83,035	\$ 1,787,393	\$ 181,771	\$ 23,341	\$ 140,823	\$ 37,863	\$ 1,625	\$ 279,485	\$ 6,445,128
Cumulative costs:													
Acquisition	\$ 4,004,317	\$ 997,183	\$ 53,806	\$ 2,205	\$ 7,324	\$ 621,934	\$ 61,270	\$ 3,412	\$ 91,140	\$ 9,995	\$ 1,227	\$ 6,191	\$ 5,860,004
Exploration	2,027,583	1,493,062	473,244	17,728	67,887	967,304	118,096	22,562	60,525	27,867	133	164,486	5,440,477
Professional & other fees	711,270	303,375	68,121	13,450	11,687	143,463	1,879	-	396	3,430	490	108,808	1,366,369
Recoveries	(4,665,613)	-	(164,000)	-	-	-	-	-	-	-	-	-	(4,829,613)
Write-off	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange movements	(973,827)	(415,825)	(32,679)	(3,608)	(3,863)	54,692	526	(2,633)	(11,238)	(3,429)	(225)	-	(1,392,109)
	\$ 1,103,730	\$ 2,377,795	\$ 398,492	\$ 29,775	\$ 83,035	\$ 1,787,393	\$ 181,771	\$ 23,341	\$ 140,823	\$ 37,863	\$ 1,625	\$ 279,485	\$ 6,445,128

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9. Exploration and evaluation assets (continued)

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

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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 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.

(b) Tajitos, Sonora, Mexico

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

(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.

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:

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 ⁽⁴⁾	-	\$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.

⁽⁴⁾ Option agreements was terminated subsequent to January 28, 2020, please see below paragraph for further details.

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9. Exploration and evaluation assets (continued)

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

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. During the six months ended March 31, 2020, the Company terminated the option agreement with Sinaloa and therefore, Sinaloa has no further obligation with respect to the project.

(d) 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.

(e) 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.

(f) 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 (paid)	400,000 (issued, fair value: \$56,000)

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.

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9. Exploration and evaluation assets (continued)

(g) 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.

(h) 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.

(i) Suaqui Verde, Suaqui Grande, Mexico

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

(j) 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.

On January 29, 2020, the Company received an additional US\$195,000 as exploration advances for the refinement exploration from January to March 2020.

(k) 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). During the six months ended March 31, 2020, the Company has officially owned the properties of Llano de Nogalo and El Valle.

(l) 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.

(m) 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.

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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:

	March 31, 2020	September 30, 2019
Payables to vendors	\$ 123,158	\$ 155,170
*Exploration advances	650,503	1,019,882
	<u>\$ 773,661</u>	<u>\$ 1,175,052</u>

*Exploration advances is in connection to the BHP project during the six months ended March 31, 2020. Refer to Note 9 (j) for further details.

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 six months ended March 31, 2020

- (a) On January 31, 2020, the Company issued 400,000 common shares with a fair value of \$56,000 to Gunpoint in accordance with the letter agreements for the Cecilia property (Note 9 (f)).

Share subscription received in advance for the six months ended March 31, 2020

- (a) As of March 31, 2020, a total of \$58,000 was received and included in the share subscriptions received in advance in connection with the Company's wholly-owned subsidiary Capitan Mining Inc. ("Capitan") non-brokered private placement which is ongoing subsequent to the period ended March 31, 2020.

Shares issued for the year ended September 30, 2019

- (b) 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.
- (c) 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 (f)).
- (d) 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.
- (e) 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 (k&l)).

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Notes to the Condensed Interim Consolidated Financial Statements for the six months ended March 31, 2020

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11. Capital stock and reserves (continued)

Share purchase and finders' warrants

	Number of warrants	Weighted average exercise price
Outstanding warrants, September 30, 2018	3,204,767	\$ 0.85
Issued	17,516,875	0.22
Expired	(3,204,767)	0.85
Outstanding warrants, September 30, 2019 and March 31, 2020	17,516,875	\$ 0.22

As at March 31, 2020, 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	0.97	\$ 0.22
	17,516,875	0.97	\$ 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, 2019, 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 six months ended March 31, 2020, nil (September 30, 2019 - 265,000) 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 six months ended March 31, 2020, using the Black-Scholes option pricing model was \$90,902 (September 30, 2019 - \$96,397), 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:

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11. Capital stock and reserves (continued)

Stock options (continued)

	2020	2019
Forfeiture rate	0.00%	0.00%
Estimated risk-free rate	1.34 %	1.33 %
Expected volatility	88.22%	82.34%
Estimated annual dividend yield	0.00 %	0.00 %
Expected life of options	5.00 years	5.00 years
Fair value per option granted	\$ 0.14	\$ 0.12

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, 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
Expired	(723,000)	\$ 0.27
Granted	1,415,000	\$ 0.15
Outstanding options, March 31, 2020	4,537,500	\$ 0.23

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

During the six months ended March 31, 2020, 723,000 stock options expired unexercised.

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.

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 March 27, 2020, the Company granted 150,000 incentive stock option (the "Options") to certain 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 officers and consultants vest in four equal installments over 12 months.

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11. Capital stock and reserves (continued)

Stock options (continued)

As at March 31, 2020, 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
01/07/2021	707,500	0.77	\$ 0.15	707,500
12/16/2021	935,000	1.71	\$ 0.42	935,000
11/03/2022	695,000	2.59	\$ 0.28	695,000
01/08/2024	785,000	3.78	\$ 0.17	785,000
11/15/2024	1,265,000	4.63	\$ 0.14	253,750
03/27/2025	150,000	4.99	\$ 0.16	-
	4,537,500	2.81		3,376,250

12. Related party transactions

The Company entered into the following transactions with related parties:

Payee / Payer	Nature of transactions	Period ending March 31	Fees (Income) (\$)	Shares (\$)	Amount payable (receivable) at period end (\$)
Arriva Management Inc.	Management and consulting fees (i)	2020	116,400	Nil	Nil
		2019	116,400	Nil	4,787
GSBC Financial Management Inc.	Management and consulting fees (i)	2020	48,000	Nil	Nil
		2019	48,000	Nil	131
Alberto Orozco	Consulting fees (i)	2020	82,500	Nil	Nil
		2019	-	Nil	Nil
Omni Resource Consulting Ltd.	Consulting fees (i)	2020	30,000	Nil	Nil
		2019	62,500	Nil	Nil
Brian Groves	Director fees(ii)	2020	6,000	Nil	Nil
		2019	6,000	Nil	Nil
James Clare	Director fees(ii)	2020	Nil	Nil	Nil
		2019	3,000	Nil	Nil
Carol Ellis	Director fees(ii)	2020	6,000	Nil	Nil
		2019	6,000	Nil	Nil
Walter Henry	Director fees(ii)	2020	6,000	Nil	Nil
		2019	6,000	Nil	Nil
First Helium Inc.	Rent (iii)	2020	(12,000)	Nil	(8,400)
		2019	(4,000)	Nil	(4,200)

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12. Related party transactions (continued)

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 six months ended March 31, 2020 and 2019 are as follows:

	2020	2019
Directors' fees (ii)	\$ 18,000	\$ 21,000
Management and consulting fees (i)	276,900	234,400
Performance bonus shares	-	40,500
Share-based payments	<u>53,221</u>	<u>33,854</u>
	\$ 348,121	\$ 329,754

(i) Management and consulting fees of the key management personnel for the period were allocated as follows: \$54,000 (2019 - \$54,000) expensed to consulting fees, \$nil (2019- \$7,500) expensed to investor relations and \$222,900 (2019 - \$172,900) 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 during the year-ended September 30, 2019.

(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 six months ended March 31, 2020, the Company recognized rental recovery of \$12,000 from First Helium, which was recorded in other income.

13. 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.

	March 31, 2020	September 30, 2019
Equipment		
Canada	\$ 6,521	\$ 7,418
Mexico	<u>279,485</u>	<u>165,832</u>
	<u>286,006</u>	<u>173,250</u>
Exploration and evaluation assets		
Canada	153,939	138,586
Mexico	<u>6,165,643</u>	<u>6,298,353</u>
	<u>6,319,582</u>	<u>6,436,939</u>
Total	\$ 6,605,588	\$ 6,610,189

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14. Supplemental disclosure with respect to cash flows

	March 31, 2020	September 30, 2019
Cash	\$ 2,317,542	\$ 2,647,409
Cash equivalents	134,948	796,587
	2,452,490	3,443,996

The significant non-cash transactions for the six months ended March 31, 2020 were as follows:

- The Company received 300,000 First Helium Inc. shares at a value of \$21,000 as settlement of debts for the previous rental recovery from February to November 2019, which was recorded as other income. (Note 5(s))
- The Company issued 400,000 common shares at \$56,000 for the Cecilia Project (Note 9(f)).

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

- 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.
- The Company issued 300,000 common shares valued at \$51,000 for the Cecilia Project (Note 9(f)).
- The Company received 1,000,000 Sinaloa Resources Corp. shares valued at \$100,000 as exploration and evaluation asset recoveries (Note 9 (c)).
- The Company issued 28,000 finder's units issued with a fair value of \$1,610 as share issuance costs.
- 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(k&l)).

15. 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 six months ended March 31, 2020. The Company is not currently subject to externally imposed capital requirements.

RIVERSIDE RESOURCES INC.

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Notes to the Condensed Interim Consolidated Financial Statements for the six months ended March 31, 2020

(Unaudited- Expressed in Canadian Dollars)

16. 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 March 31, 2020, the Company had cash and cash equivalents of \$2,452,490 to settle current liabilities of \$1,760,884. 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 March 31, 2020, the Company had investments in short-term deposit certificates of \$134,948.

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.

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16. Financial instruments (continued)

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 \$384,439.

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 \$212,970.

17. 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.

During the six months ended March 31, 2020, the Company recognized \$987,223 (September 30, 2019, \$1,103,819) as provision liability as a result of the foreign exchange movement. The Company is currently negotiating with the tax authority on a settlement.

18. Subsequent events

On April 1, 2020, the Company received a requisite shareholder approval for a strategic reorganization its exploration business. In connection with the reorganization, Capitan Mining Inc. ("Capitan" or "SpinCo"), will complete the acquisition of its interest in the Peñoles Property from the Company for \$3.5 million to be paid by issuing 17,500,000 common shares ("SpinCo Shares") to the Company. The Company will then complete a share capital reorganization by way of statutory plan of arrangement ("Arrangement") whereby the Company will spin-out the SpinCo Shares to Riverside's shareholders. Based on the existing numbers of Riverside common shares outstanding, Riverside shareholders will receive one new common share of Riverside and 0.2767 of a Capitan share.

On May 1, 2020, the Company agreed and sold 900,000 shares of Arizona Metals Corp. to a third party for net proceeds of \$450,000.