Form **8937**
(December 2017)
Department of the Treasury
Internal Revenue Service

Report of Organizational Actions Affecting Basis of Securities

▶ See separate instructions.

OMB No. 1545-0123

Part I Reporting Issuer

1 Issuer's name	2 Issuer's employer identification number (EIN)
Riverside Resources Inc.	None

3 Name of contact for additional information	4 Telephone No. of contact	5 Email address of contact
John-Mark Staude	1 (778) 327-6671	info@rivres.com

6 Number and street (or P.O. box if mail is not delivered to street address) of contact	7 City, town, or post office, state, and ZIP code of contact
Suite 550 - 800 West Pender Street	Vancouver, BC V6C 2V6, Canada

8 Date of action	9 Classification and description
August 14, 2020	Common Shares

10 CUSIP number	11 Serial number(s)	12 Ticker symbol	13 Account number(s)
76926M102	N/A	TSXV: RRI; OTCQB: RVSDF	N/A

Part II Organizational Action Attach additional statements if needed. See back of form for additional questions.

14 Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action ▶ On August 14, 2020, Riverside Resources Inc. ("Riverside") and Capitan Mining Inc., Riverside's wholly-owned subsidiary ("Capitan"), engaged in a spin-out pursuant to a plan of arrangement (the "Arrangement"). Specifically, in the Arrangement, each Riverside shareholder received one new Riverside common share and 0.2594 Capitan common shares in exchange for each Riverside Class A common share ("Riverside Shares") surrendered in exchange therefor pursuant to the Arrangement. Upon completion of the Arrangement, Riverside shareholders held both Riverside common shares and Capitan common shares.

The Arrangement is described in the Management Information Circular of Riverside dated February 25, 2020 (the "Circular"), which is available on www.sedar.com. Shareholders should review the "Certain United States Federal Income Tax Considerations" section of the Circular attached hereto as Exhibit A.

15 Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis ▶ See Exhibit A. Shareholders should review the Circular and consult with their own tax advisors regarding the US. federal income tax consequences of the Arrangement.

16 Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates ▶ For purposes of calculating fair market value, the fair market value of a Capitan common share on August 14, 2020 is estimated at U.S.$0.15, as agreed upon by Riverside and Capitan in the acquisition of Capitan shares (as converted to U.S. dollars using the daily exchange rate published by the Bank of Canada on August 14, 2020).

Shareholders should consult with their own tax advisors as to what measure of fair market value is appropriate.

Part II **Organizational Action** *(continued)*

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ Code Sections 301, 354, 356, 358, 368(a)(1)(E), and 1036. If Riverside was a passive foreign investment company ("PFIC") at any time during the period that a holder held Riverside Shares, then the PFIC rules under Code Sections 1291-1298 would be applicable.

18 Can any resulting loss be recognized? ▶ No.

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ In general, income recognized should be reported by holders for the taxable year which includes August 14, 2020 (e.g., a calendar-year shareholder would report the distribution on his or her federal income tax return filed for the 2020 calendar year).

Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Signature ▶ _____ Date ▶ 23 Sept 2020

Print your name ▶ John-Mark Staude Title ▶ CFO

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check ☐ if self-employed	PTIN
John D. Hollinrake Jr.	John D Hollinrake	23 Sept 2020		P01568530

Firm's name ▶ Dorsey & Whitney LLP — Firm's EIN ▶ 41-0223337

Firm's address ▶ Columbia Center, 701 Fifth Avenue, Suite 6100, Seattle, Washington 98104 — Phone no. (206) 903-8812

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capital gain) in the Non-resident Holder's taxable income earned in Canada for the year of disposition, and be entitled to deduct one half of any such capital loss (allowable capital loss) against taxable capital gains included in the Non-resident Holder's taxable income earned in Canada for the year of disposition and, to the extent not so deductible, against such taxable capital gains realized in any of the three preceding taxation years or any subsequent taxation year, to the extent and in the circumstances set out in the Tax Act.

Dissenting Non-Resident Holders

The discussion above applicable to Resident Holders under the heading "*Holders Resident in Canada - Dissenting Riverside Shareholders*" will generally also apply to a Non-resident Holder who validly exercises Dissent Rights in respect of the Arrangement. The Non-resident Holder generally will be subject to Canadian federal income tax in respect of any deemed taxable dividend or capital gain or loss arising as a consequence of the exercise of Dissent Rights as discussed above under the headings "*Holders Not Resident in Canada – Taxation of Dividends*" and "*Holders Not Resident in Canada – Taxation of Capital Gains and Capital Losses*" respectively.

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERTATIONS

The following discussion summarizes certain material U.S. federal income tax consequences to a U.S. Holder (as defined below), as defined below, of the Arrangement and the ownership and disposition of New Riverside Shares and Capitan Spinout Shares received in the Arrangement. This summary does not address the U.S. federal income tax consequences to holders of Riverside Options or Riverside Warrants regarding the Arrangement or the adjustment to such Riverside Options and Riverside Warrants to allow the holders thereof to acquire, upon exercise, New Riverside Shares and Capitan Shares.

This summary is based on the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), Treasury regulations promulgated under the Code ("**Treasury Regulations**"), administrative pronouncements, rulings or practices, and judicial decisions, all as of the date of this Circular. Future legislative, judicial, or administrative modifications, revocations, or interpretations, which may or may not be retroactive, may result in U.S. federal income tax consequences significantly different from those discussed in this Circular. No legal opinion from U.S. legal counsel has been or will be sought or obtained regarding the U.S. federal income tax consequences of the Arrangement. In addition, this summary is not binding on the U.S. Internal Revenue Service (the "**IRS**"), and no ruling has been or will be sought or obtained from the IRS with respect to any of the U.S. federal income tax consequences discussed in this Circular. There can be no assurance that the IRS will not challenge any of the conclusions described in this Circular or that a U.S. court will not sustain such a challenge.

This summary is for general informational purposes only and does not address all possible U.S. federal tax issues that could apply with respect to the Arrangement. This summary does not take into account the facts unique to any particular U.S. Holder that could impact its U.S. federal income tax consequences with respect to the Arrangement. This discussion is not, and should not be, construed as legal or tax advice to a U.S. Holder. Except as provided below, this summary does not address tax reporting requirements. Each U.S. Holder should consult its own tax advisors regarding the U.S. federal income, the Medicare contribution tax on certain net investment income, the alternative minimum, U.S. state and local, and non-U.S. tax consequences of the Arrangement and the ownership and disposition of Riverside Shares, New Riverside Shares, or Capitan Spinout Shares.

This summary does not address the U.S. federal income tax consequences to U.S. Holders subject to special rules, including, but not limited to, U.S. Holders that: (i) are banks, financial institutions, or insurance companies; (ii) are regulated investment companies or real estate investment trusts; (iii) are brokers, dealers, or traders in securities or currencies; (iv) are tax-exempt organizations; (v) hold Riverside Shares (or after the Arrangement, New Riverside Shares or Capitan Spinout Shares) as part of hedges, straddles, constructive sales, conversion transactions, or other integrated investments; (vi) except as specifically provided below, acquire Riverside Shares (or after the Arrangement, New Riverside Shares or Capitan Spinout Shares) as compensation for services or through the exercise or cancellation of employee stock options or warrants; (vii) have a functional currency other than the U.S. dollar; (viii) own or have owned directly, indirectly, or constructively 10% or more of the voting power of all outstanding shares of Riverside (and after the Arrangement, Riverside and Capitan); (ix) are U.S. expatriates; (x) are subject to special tax accounting rules as a result of any item of gross income with respect to Riverside Shares (and after the Arrangement, New Riverside Shares or Capitan Spinout Shares) being taken into account in an applicable financial statement; (xi) are

subject to the alternative minimum tax; (xii) are deemed to sell Riverside Shares (or after the Arrangement, New Riverside Shares or Capitan Spinout Shares) under the constructive sale provisions of the Code; or (xiii) own or will own Riverside Shares, New Riverside Shares and/or Capitan Spinout Shares that it acquired at different times or at different market prices or that otherwise have different per share cost bases or holding periods for U.S. tax purposes. In addition, this discussion does not address U.S. federal tax laws other than those pertaining to U.S. federal income tax (such as U.S. federal estate or gift tax and the Medicare contribution tax on certain net investment income), nor does it address any aspects of U.S. state, local or non-U.S. taxes. U.S. Holders that are subject to special provisions under the Code, including U.S. Holders described immediately above, should consult their own tax advisors regarding the U.S. federal income tax consequences of the Arrangement and the ownership and disposition of New Riverside Shares and Capitan Spinout Shares.

For the purposes of this summary, "**U.S. Holder**" means a beneficial owner of Riverside Shares, Capitan Spinout Shares or New Riverside Shares (as applicable) that is: (i) an individual who is a citizen or resident of the U.S. for U.S. federal income tax purposes; (ii) a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) created or organized under the laws of the U.S., any U.S. state, or the District of Columbia; (iii) an estate, the income of which is subject to U.S. federal income tax regardless of its source; or (iv) a trust that (a) is subject to the primary jurisdiction of a court within the U.S. and for which one or more U.S. persons have authority to control all substantial decisions or (b) has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person.

If a pass-through entity, including a partnership or other entity taxable as a partnership for U.S. federal income tax purposes, holds Riverside Shares, New Riverside Shares or Capitan Spinout Shares, the U.S. federal income tax treatment of an owner or partner generally will depend on the status of such owner or partner and on the activities of the pass-through entity. This summary does not address any U.S. federal income tax consequences to such owners or partners of a partnership or other entity taxable as a partnership for U.S. federal income tax purposes holding Riverside Shares, New Riverside Shares or Capitan Spinout Shares and such persons are urged to consult their own tax advisors.

For purposes of this summary, "non-U.S. Holder" means a beneficial owner of Riverside Shares, New Riverside Shares or Capitan Spinout Shares (as applicable) other than a U.S. Holder. This summary does not address the U.S. federal income tax consequences of the Arrangement to non-U.S. Holders. Accordingly, non-U.S. Holders should consult their own tax advisors regarding the U.S. federal income, other U.S. federal, U.S. state and local, and non-U.S. tax consequences (including the potential application and operation of any income tax treaties) of the Arrangement.

This summary assumes that the Riverside Shares, New Riverside Shares and Capitan Spinout Shares are or will be held as capital assets (generally, property held for investment), within the meaning of the Code, in the hands of a U.S. Holder at all relevant times.

U.S. Federal Income Tax Consequences of the Arrangement

The Arrangement will be effected under applicable provisions of Canadian corporate law, which are technically different from analogous provisions of U.S. corporate law. Accordingly, the U.S. federal income tax consequences of certain aspects of the Arrangement are not certain. Nonetheless, Riverside believes, and the following discussion assumes, that (a) the renaming and redesignation of the Riverside Shares as Riverside Class A Shares and (b) the exchange by the Riverside Shareholders of the Riverside Class A Shares for New Riverside Shares and Capitan Spinout Shares, taken together, will properly be treated for U.S. federal income tax purposes, under the step-transaction doctrine or otherwise, as (i) a tax-deferred exchange by the Riverside Shareholders of their Riverside Shares for New Riverside Shares, either under Section 1036 or Section 368(a)(l)(E) of the Code, combined with (ii) a distribution of the Capitan Spinout Shares to the Riverside Shareholders under Section 301 of the Code. In addition, except as discussed below, a U.S. Holder should have the same basis and holding period in his, her or its New Riverside Shares as such U.S. Holder had in its Riverside Shares immediately prior to the Arrangement.

There can be no assurance that the IRS will not challenge the U.S. federal income tax treatment of the Arrangement or that, if challenged, a U.S. court would not agree with the IRS. Each U.S. Holder should consult its own tax advisors regarding the proper treatment of the Arrangement for U.S. federal income tax purposes.

Reporting Requirements for Significant Holders

Assuming that the Arrangement qualifies as a reorganization within the meaning of Section 368(a)(1)(E) of the Code, U.S. Holders that are "significant holders" within the meaning of Treasury Regulations Section l.368-3(c) are required to report certain information to the IRS on their U.S. federal income tax returns for the taxable year in which the Arrangement occurs and all such U.S. Holders must retain certain records related to the Arrangement. Each U.S. Holder should consult its own tax advisors regarding its information reporting and record retention responsibilities in connection with the Arrangement.

Receipt of Capitan Spinout Shares pursuant to the Arrangement

Subject to the "passive foreign investment company" ("**PFIC**") rules discussed below under *"Potential Application of the PFIC Rules"*, a U.S. Holder that receives Capitan Spinout Shares pursuant to the Arrangement will be treated as receiving a distribution of property in an amount equal to the fair market value of the Capitan Spinout Shares received on the distribution date (without reduction for any Canadian income or other tax withheld from such distribution). Such distribution would be taxable to the U.S. Holder as a dividend to the extent of Riverside's current and accumulated earnings and profits as determined under U.S. federal income tax principles. To the extent the fair market value of the Capitan Spinout Shares distributed exceeds Riverside's adjusted tax basis in such shares (as calculated for U.S. federal income tax purposes), the Arrangement can be expected to generate additional earnings and profits for Riverside in an amount equal to the extent the fair market value of the Capitan Spinout Shares distributed by Riverside exceeds Riverside's adjusted tax basis in those shares for U.S. income tax purposes. Any such dividend generally will not be eligible for the "dividends received deduction" in the case of U.S. Holders that are corporations. To the extent that the fair market value of the Capitan Spinout Shares exceeds the current and accumulated earnings and profits of Riverside, the distribution of the Capitan Spinout Shares pursuant to the Arrangement will be treated first as a non-taxable return of capital to the extent of a U.S. Holder's tax basis in the Riverside Shares, with any remaining amount being taxed as a capital gain. Preferential tax rates apply to long-term capital gains of a U.S. Holder that is an individual, estate, or trust. There are currently no preferential tax rates for long-term capital gains of a U.S. Holder that is a corporation.

A dividend paid by Riverside to a U.S. Holder who is an individual, estate or trust generally will be taxed at the preferential tax rates applicable to long-term capital gains if Riverside is a '"qualified foreign corporation" ("**QFC**") and certain holding period and other requirements for the Riverside Shares are met. Riverside generally will be a QFC as defined under Section 1(h)(11) of the Code if Riverside is eligible for the benefits of the Treaty or its shares are readily tradable on an established securities market in the U.S. However, even if Riverside satisfies one or more of these requirements, Riverside will not be treated as a QFC if Riverside is a PFIC (as defined below) for the tax year during which it pays a dividend or for the preceding tax year. See the section below under the heading *"Potential Application of the PFIC Rules."*

If a U.S. Holder is not eligible for the preferential tax rates discussed above, a dividend paid by Riverside to a U.S. Holder generally will be taxed at ordinary income tax rates (rather than the preferential tax rates applicable to long-term capital gains). The dividend rules are complex, and each U.S. Holder should consult its own tax advisors regarding the application of such rules.

Dissenting U.S. Holders

Subject to the PFIC rules discussed below under *"Potential Application of the PFIC Rules"*, a U.S. Holder that exercises Dissent Rights in connection with the Arrangement (a "**Dissenting U.S. Holder**") and receives cash for such U.S. Holder's Riverside Shares generally will recognize gain or loss in an amount equal to the difference, if any, between (a) the amount of cash received by such U.S. Holder in exchange for the Riverside Shares (other than amounts, if any, that are or are deemed to be interest for U.S. federal income tax purposes, which amounts will be taxed as ordinary income) and (b) the adjusted tax basis of such U.S. Holder in the Riverside Shares surrendered, provided such U.S. Holder does not actually or constructively own any New Riverside Shares after the Arrangement. Such gain or loss generally will be capital gain or loss, which will be long-term capital gain or loss if the Riverside Shares are held for more than one year. Preferential tax rates apply to long-term capital gains of a U.S. Holder that is an individual, estate, or trust. There are currently no preferential tax rates for long-term capital gains of a U.S. Holder that is a corporation. Deductions for capital losses are subject to complex limitations under the Code.

If a U.S. Holder that exercises Dissent Rights in connection with the Arrangement and receives cash for such U.S. Holder's Riverside Shares actually or constructively owns New Riverside Shares after the Arrangement, all or a portion of the cash received by such U.S. Holder may be taxable as a distribution under the same rules as discussed under *"Receipt of Capitan Spinout Shares pursuant to the Arrangement"* above.

Potential Application of the PFIC Rules

The tax considerations of the Arrangement to a particular U.S. Holder will depend on whether Riverside was a PFIC during any year in which a U.S. Holder owned Riverside Shares. In general, a foreign corporation is a PFIC for any taxable year in which either (i) 75% or more of the foreign corporation's gross income is passive income, or (ii) 50% or more of the average quarterly value of the foreign corporation's assets produced are held for the production of passive income. Passive income includes, for example, dividends, interest, certain rents and royalties, certain gains from the sale of stock and securities, and certain gains from commodities transactions. Passive income does not include gains from the sale of commodities that arise in the active conduct of a commodities business by a non-U.S. corporation, provided that certain other requirements are satisfied. In determining whether or not it is classified as a PFIC, a foreign corporation is required to take into account its pro rata portion of the income and assets of each corporation in which it owns, directly or indirectly, at least a 25% interest by value.

The determination of PFIC status is inherently factual and generally cannot be determined until the close of the taxable year in question. Additionally, the analysis depends, in part, on the application of complex U.S. federal income tax rules, which are subject to differing interpretations. U.S. Holders are urged to consult their own U.S. tax advisors regarding the application of the PFIC rules to the Arrangement. Certain subsidiaries and other entities in which a PFIC has a direct or indirect interest could also be PFICs with respect to a U.S. person owning an interest in the first-mentioned PFIC. Riverside has not made a determination regarding its PFIC status for any taxable year, including the current taxable year. Although there can be no assurance as to whether Riverside will or will not be treated as a PFIC during the current taxable year or any prior or future taxable year, and no legal opinion of counsel or ruling from the IRS concerning the status of Riverside as a PFIC has been obtained or is currently planned to or will be requested, U.S. Holders should be aware that Riverside may be treated as a PFIC for U.S. federal income tax purposes for its prior, current and future taxable years. U.S. Holders should consult their own tax advisors regarding the PFIC status of Riverside.

If Riverside is a PFIC or was a PFIC at any time during a U.S. Holder's holding period for his, her or its Riverside Shares, the effect of the PFIC rules on a U.S. Holder receiving Capitan Spinout Shares pursuant to the Arrangement will depend on whether such U.S. Holder has made a timely and effective election to treat Riverside as a qualified electing fund (a "**QEF**") under Section 1295 of the Code (a "**QEF Election**") or has made a mark-to-market election with respect to its Riverside Shares under Section 1296 of the Code (a "**Mark-to-Market Election**"). In this summary, a U.S. Holder that has made a timely QEF Election or Mark-to-Market Election with respect to its Riverside Shares is referred to as an "**Electing Riverside Shareholder**" and a U.S. Holder that has not made a timely QEF Election or a Mark-to-Market Election with respect to its Riverside Shares is referred to as a "**Non-Electing Riverside Shareholder**". For a description of the QEF Election and Mark-to-Market Election, U.S. Holders should consult the discussion below under *"U.S. Federal Income Tax Consequences Related to the Ownership and Disposition of Capitan Spinout Shares and New Riverside Shares - Passive Foreign Investment Company Rules - QEF Election"* and *"- Mark-to-Market Election"*.

An Electing Riverside Shareholder generally would not be subject to the default rules of Section 1291 of the Code discussed below upon the receipt of the Capitan Spinout Shares pursuant to the Arrangement. Instead, the Electing Riverside Shareholder generally would be subject to the rules described below under *"U.S. Federal Income Tax Consequences Related to the Ownership and Disposition of Capitan Spinout Shares and New Riverside Shares - Passive Foreign Investment Company Rules - QEF Election"* and *"-Mark-to-Market Election"*.

With respect to a Non-Electing Riverside Shareholder, if Riverside is a PFIC or was a PFIC at any time during a U.S. Holder's holding period for his, her or its Riverside Shares, the default rules under Section 1291 of the Code will apply to gain recognized on any disposition of Riverside Shares and to "excess distributions" from Riverside (generally, distributions received in the current taxable year that are in excess of 125% of the average distributions received during the three preceding years (or during the U.S. Holder's holding period for the Riverside Shares, if shorter)). Under Section 1291 of the Code, any such gain recognized on the sale or other disposition of Riverside

Shares and any excess distribution must be ratably allocated to each day in a Non-Electing Riverside Shareholder's holding period for the Riverside Shares. The amount of any such gain or excess distribution allocated to the tax year of disposition or receipt of the excess distribution and to years before Riverside became a PFIC, if any, would be taxed as ordinary income. The amounts allocated to any other tax year would be subject to U.S. federal income tax at the highest tax rate applicable to ordinary income in each such prior year without regard to the Non-Electing Riverside Shareholder's U.S. federal income tax net operating losses or other attributes and an interest charge would be imposed on the tax liability for each such year, calculated as if such tax liability had been due in each such prior year. Such Non-Electing Riverside Shareholders that are not corporations must treat any such interest paid as "personal interest," which is not deductible.

If the distribution of the Capitan Spinout Shares pursuant to the Arrangement constitutes an "excess distribution" or results in the recognition of capital gain as described above under *"Receipt of Capitan Spinout Shares pursuant to the Arrangement"* with respect to a Non-Electing Riverside Shareholder, such Non-Electing Riverside Shareholder will be subject to the rules of Section 1291 of the Code discussed above upon the receipt of the Capitan Spinout Shares. In addition, the distribution of the Capitan Spinout Shares pursuant to the Arrangement may be treated, under proposed Treasury Regulations, as the "indirect disposition" by a Non-Electing Riverside Shareholder of such Non-Electing Riverside Shareholder's indirect interest in Capitan, which generally would be subject to the rules of Section 1291 of the Code discussed above.

U.S. Federal Income Tax Consequences Related to the Ownership and Disposition of Capitan Spinout Shares and New Riverside Shares

If the Arrangement is approved by Riverside Shareholders, each Riverside Shareholder will ultimately receive 0.2767 of a Capitan Spinout Share and one New Riverside Share for each Riverside Share held by such Riverside Shareholder. If the Arrangement is not approved by the Riverside Shareholders, each Riverside Shareholder shall retain his, her or its Riverside Shares. The U.S. federal income tax consequences to a U.S. Holder related to the ownership and disposition of Capitan Spinout Shares or New Riverside Shares, as the case may be, will generally be the same and are described below.

In General

The following discussion is subject to the rules described below under the heading *"Passive Foreign Investment Company Rules."*

Distributions

A U.S. Holder that receives a distribution, including a constructive distribution, with respect to a Capitan Spinout Share or New Riverside Share will be required to include the amount of such distribution in gross income as a dividend (without reduction for any Canadian income tax withheld from such distribution) to the extent of the current or accumulated "earnings and profits" of the distributing company, as computed for U.S. federal income tax purposes. A dividend generally will be taxed to a U.S. Holder at ordinary income tax rates if the distributing company is a PFIC. To the extent that a distribution exceeds the current and accumulated "earnings and profits" of the distributing company, such distribution will be treated first as a tax-free return of capital to the extent of a U.S. Holder's tax basis in the shares of the distributing company and thereafter as gain from the sale or exchange of such shares. See the discussion below under the heading *"Sale or Other Taxable Disposition of Shares."* However, the distributing company may not maintain the calculations of earnings and profits in accordance with U.S. federal income tax principles, and each U.S. Holder should therefore assume that any distribution with respect to the Capitan Spinout Shares or New Riverside Shares will constitute ordinary dividend income. Dividends received on Capitan Spinout Shares or New Riverside Shares generally will not be eligible for the "dividends received deduction." In addition, distributions from Capitan or Riverside (either on New Riverside Shares or Capitan Spinout Shares) will not constitute qualified dividend income eligible for the preferential tax rates applicable to long-term capital gains if the distributing company were a PFIC either in the year of the distribution or in the immediately preceding year, or if the distributing company is not eligible for the benefits of the Treaty and its shares are not readily tradable on an established securities market in the U.S. The dividend rules are complex, and each U.S. Holder should consult its own tax adviser regarding the application of such rules.

Sale or Other Taxable Disposition of Shares

Upon the sale or other taxable disposition of Capitan Spinout Shares or New Riverside Shares, a U.S. Holder generally will recognize capital gain or loss in an amount equal to the difference between the U.S. dollar value of cash received plus the fair market value of any property received and such U.S. Holder's adjusted tax basis in such shares sold or otherwise disposed of. A U.S. Holder's tax basis in Capitan Spinout Shares or New Riverside Shares generally will be such holder's U.S. dollar cost for such shares. Gain or loss recognized on such sale or other disposition generally will be long-term capital gain or loss if, at the time of the sale or other disposition, the shares have been held for more than one year.

Preferential tax rates apply to long-term capital gain of a U.S. Holder that is an individual, estate, or trust. There are currently no preferential tax rates for long-term capital gain of a U.S. Holder that is a corporation. Deductions for capital losses are subject to significant limitations under the Code.

Passive Foreign Investment Company Rules

If Capitan or Riverside were to constitute a PFIC under the meaning of Section 1297 of the Code (as described above under *"US Federal Income Tax Consequences of the Arrangement - Receipt of Capitan Spinout Shares pursuant to the Arrangement")* for any year during a U.S. Holder's holding period, then certain potentially adverse rules will affect the U.S. federal income tax consequences to such U.S. Holder resulting from the acquisition, ownership and disposition of Capitan Spinout Shares or New Riverside Shares, as applicable. Riverside has not made a determination regarding its PFIC status for any taxable year, including the current taxable year. Riverside has also not made a determination regarding whether Capitan should be a PFIC for its initial tax year or whether it may be a PFIC in future tax years. The determination of whether any corporation was, or will be, a PFIC for a tax year depends, in part, on the application of complex U.S. federal income tax rules, which are subject to differing interpretations. In addition, whether any corporation will be a PFIC for any tax year depends on the assets and income of such corporation over the course of each such tax year and, as a result, cannot be predicted with certainty as of the date of this Circular. Accordingly, there can be no assurance that the IRS will not challenge whether Riverside (or a Subsidiary PFIC as defined below) was a PFIC in a prior year or whether Capitan or Riverside is a PFIC in the current or future years. Each U.S. Holder should consult its own tax advisors regarding the PFIC status of Capitan, Riverside and any of their Subsidiary PFICs. Neither Capitan nor Riverside currently intend to provide information to its shareholders concerning whether it is a PFIC for the current or future tax years.

Each U.S. Holder generally must file an IRS Form 8621 reporting distributions received and gain realized with respect to each PFIC in which the U.S. Holder holds a direct or indirect interest. In addition, subject to certain rules intended to avoid duplicative filings, U.S. Holders generally must file an annual information return on IRS Form 8621 with respect to each PFIC in which the U.S. Holder holds a direct or indirect interest. Each U.S. Holder should consult its own tax advisors regarding these and any other applicable information or other reporting requirements.

Under certain attribution rules, if either Capitan of Riverside is a PFIC, U.S. Holders will generally be deemed to own their proportionate share of its direct or indirect equity interest in any subsidiary that is also a PFIC (a "**Subsidiary PFIC**"), and will be subject to U.S. federal income tax on any indirect gain realized on the stock of a Subsidiary PFIC on the sale of the Capitan Spinout Shares or New Riverside Shares, as applicable, and their proportionate share of (a) any excess distributions on the stock of a Subsidiary PFIC and (b) a disposition or deemed disposition of the stock of a Subsidiary PFIC by Capitan or Riverside or another Subsidiary PFIC, both as if such U.S. Holders directly held the shares of such Subsidiary PFIC. Accordingly, U.S. Holders should be aware that they could be subject to tax even if no distributions are received and no redemptions or other dispositions of Capitan Spinout Shares or New Riverside Shares are made.

Default PFIC Rules Under Section 1291 of the Code

If either Capitan or Riverside is a PFIC for any tax year during which a U.S. Holder owns Capitan Spinout Shares or New Riverside Shares, as applicable, the U.S. federal income tax consequences to such U.S. Holder of the acquisition, ownership, and disposition of such shares will depend on whether and when such U.S. Holder makes a QEF Election to treat Capitan or Riverside, as applicable, and each Subsidiary PFIC, if any, as a QEF under Section 1295 of the Code or makes a Mark-to-Market Election under Section 1296 of the Code. A U.S. Holder that does not make either

a timely QEF Election or a Mark-to-Market Election with respect to its Capitan Spinout Shares or New Riverside Shares, as applicable, will be referred to in this summary as a "**Non-Electing Shareholder**".

A Non-Electing Shareholder will be subject to the rules of Section 1291 of the Code (described below) with respect to (a) any gain recognized on the sale or other taxable disposition of Capitan Spinout Shares or New Riverside Shares, as applicable, and (b) any excess distribution received on the Capitan Spinout Shares or New Riverside Shares, as applicable. A distribution generally will be an "excess distribution" to the extent that such distribution (together with all other distributions received in the current tax year) exceeds 125% of the average distributions received during the three preceding tax years (or during a U.S. Holder's holding period for the applicable shares, if shorter).

Under Section 1291 of the Code, any gain recognized on the sale or other taxable disposition of Capitan Spinout Shares or New Riverside Shares, as applicable, (including an indirect disposition of the stock of any Subsidiary PFIC), and any "excess distribution" received on such shares, must be ratably allocated to each day in a Non-Electing Shareholder's holding period for the respective shares. The amount of any such gain or excess distribution allocated to the tax year of disposition or distribution of the excess distribution and to years before the entity became a PFIC, if any, would be taxed as ordinary income. The amounts allocated to any other tax year would be subject to U.S. federal income tax at the highest tax rate applicable to ordinary income in each such year without regard to the shareholder's net operating losses or other U.S. federal income tax attributes, and an interest charge would be imposed on the tax liability for each such year, calculated as if such tax liability had been due in each such year. A Non-Electing Shareholder that is not a corporation must treat any such interest paid as "personal interest," which is not deductible.

If either Capitan or Riverside is a PFIC for any tax year during which a Non-Electing Shareholder holds Capitan Spinout Shares or New Riverside Shares, as applicable, the applicable company will continue to be treated as a PFIC with respect to such Non-Electing Shareholder, regardless of whether that company ceases to be a PFIC in one or more subsequent tax years. A Non-Electing Shareholder may terminate this deemed PFIC status by electing to recognize gain (which will be taxed under the rules of Section 1291 of the Code discussed above), but not loss, as if such shares were sold on the last day of the last tax year for which the applicable company was a PFIC.

QEF Election

A U.S. Holder that makes a timely and effective QEF Election for the first tax year in which its holding period of its Capitan Spinout Shares or New Riverside Shares, as applicable, begins generally will not be subject to the rules of Section 1291 of the Code discussed above with respect to those shares. A U.S. Holder that makes a timely and effective QEF Election will be subject to U.S. federal income tax on such U.S. Holder's pro rata share of (a) the net capital gain of Capitan or Riverside, as applicable, which will be taxed as long-term capital gain to such U.S. Holder, and (b) the ordinary earnings of Capitan or Riverside, as applicable, which will be taxed as ordinary income to such U.S. Holder. Generally, "net capital gain" is the excess of (a) net long-term capital gain over (b) net short- term capital loss, and "ordinary earnings" are the excess of (a) "earnings and profits" over (b) net capital gain. A U.S. Holder that makes a QEF Election will be subject to U.S. federal income tax on such amounts for each tax year in which Capitan or Riverside, as applicable, is a PFIC, regardless of whether such amounts are actually distributed to such U.S. Holder. However, for any tax year in which Capitan or Riverside, as applicable, is a PFIC and has no net income or gain as determined for U.S. income tax purposes, U.S. Holders that have made a QEF Election would not have any income inclusions as a result of the QEF Election. If a U.S. Holder that made a QEF Election has an income inclusion, such a U.S. Holder may, subject to certain limitations, elect to defer payment of current U.S. federal income tax on such amounts, subject to an interest charge. If such U.S. Holder is not a corporation, any such interest paid will be treated as "personal interest," which is not deductible.

A U.S. Holder that makes a timely and effective QEF Election with respect to Capitan or Riverside, as applicable, generally (a) may receive a tax-free distribution from the applicable company to the extent that such distribution represents "earnings and profits" of the distributing company that were previously included in income by the U.S. Holder because of such QEF Election and (b) will adjust such U.S. Holder's tax basis in the shares of the applicable company to reflect the amount included in income or allowed as a tax-free distribution because of such QEF Election. In addition, a U.S. Holder that makes a QEF Election generally will recognize capital gain or loss on the sale or other taxable disposition of Capitan Spinout Shares or New Riverside Shares, as applicable.

The procedure for making a QEF Election, and the U.S. federal income tax consequences of making a QEF Election, will depend on whether such QEF Election is timely. A QEF Election will be treated as "timely" if such QEF Election is made for the first year in the U.S. Holder's holding period for the Capitan Shares or New Riverside Shares in which Capitan or Riverside, as applicable, was a PFIC. A U.S. Holder may make a timely QEF Election by filing the appropriate QEF Election documents at the time such U.S. Holder files a U.S. federal income tax return for such year. If a U.S. Holder does not make a timely and effective QEF Election for the first year in the U.S. Holder's holding period for the Capitan Shares or New Riverside Shares, the U.S. Holder may still be able to make a timely and effective QEF Election in a subsequent year if such U.S. Holder meets certain requirements and makes a "purging" election to recognize gain (which will be taxed under the rules of Section 1291 of the Code discussed above) as if such shares were sold for their fair market value on the day the QEF Election is effective. If a U.S. Holder owns PFIC stock indirectly through another PFIC, separate QEF Elections must be made for the PFIC in which the U.S. Holder is a direct shareholder and the Subsidiary PFIC in order for the QEF rules to apply to both PFICs.

A QEF Election will apply to the tax year for which such QEF Election is timely made and to all subsequent tax years, unless such QEF Election is invalidated or terminated or the IRS consents to revocation of such QEF Election. If a U.S. Holder makes a QEF Election and, in a subsequent tax year, Capitan or Riverside ceases to be a PFIC, the QEF Election will remain in effect (although it will not be applicable) during those tax years in which Capitan or Riverside, as applicable, is not a PFIC. Accordingly, if Capitan or Riverside becomes a PFIC in another subsequent tax year, the QEF Election will be effective and the U.S. Holder will be subject to the QEF rules described above during any subsequent tax year in which Capitan or Riverside, as applicable, qualifies as a PFIC.

U.S. Holders should be aware that there can be no assurances that Capitan or Riverside will satisfy the record keeping requirements that apply to a QEF for the current or future years, or that Capitan or Riverside will supply U.S. Holders with information that such U.S. Holders require to report under the QEF rules, in the event that Capitan or Riverside is a PFIC. Neither Capitan nor Riverside commits to provide information to its shareholders that would be necessary to make a QEF Election with respect to Capitan or Riverside for any year in which it is a PFIC. Thus, U.S. Holders may not be able to make a QEF Election with respect to their Capitan Spinout Shares or New Riverside Shares (or with respect to any Subsidiary PFIC). Each U.S. Holder should consult its own tax advisors regarding the availability of, and procedure for making, a QEF Election.

A U.S. Holder makes a QEF Election by attaching a completed IRS Form 8621, including a PFIC Annual Information Statement, to a timely filed United States federal income tax return. However, if Capitan or Riverside does not provide the required information with regard to Capitan, Riverside or any of their Subsidiary PFICs, U.S. Holders will not be able to make a QEF Election for such entity and will continue to be subject to the rules discussed above that apply to Non-Electing Shareholders with respect to the taxation of gains and excess distributions.

Mark-to-Market Election

A U.S. Holder may make a Mark-to-Market Election only if the Capitan Spinout Shares or New Riverside Shares, as applicable, are marketable stock. These shares generally will be "marketable stock" if they are regularly traded on: (i) a national securities exchange that is registered with the Securities and Exchange Commission; (ii) the national market system established pursuant to section 11A of the Securities and Exchange Act of 1934; or (iii) a foreign securities exchange that is regulated or supervised by a governmental authority of the country in which the market is located, provided that: (i) such foreign exchange has trading volume, listing, financial disclosure, and surveillance requirements, and meets other requirements and the laws of the country in which such foreign exchange is located, and together with the rules of such foreign exchange, ensure that such requirements are actually enforced; and (ii) the rules of such foreign exchange effectively promote active trading of listed stocks. If such stock is traded on such a qualified exchange or other market, such stock generally will be "regularly traded" for any calendar year during which such stock is traded, other than in de minimis quantities, on at least 15 days during each calendar quarter. There is no assurance that the Capitan Spinout Shares or New Riverside Shares will be marketable stock for this purpose.

A U.S. Holder that makes a Mark-to-Market Election with respect to its Capitan Spinout Shares or New Riverside Shares generally will not be subject to the rules of Section 1291 of the Code discussed above with respect to such shares. However, if a U.S. Holder does not make a Mark-to-Market Election beginning in the first tax year of such U.S. Holder's holding period for such shares or such U.S. Holder has not made a timely QEF Election, the rules of Section 1291 of the Code discussed above will apply to certain dispositions of, and distributions on, those shares.

A U.S. Holder that makes a Mark-to-Market Election with respect to Capitan Spinout Shares or New Riverside Shares will include in ordinary income, for each tax year in which Capitan or Riverside, as applicable, is a PFIC, an amount equal to the excess, if any, of (a) the fair market value of the applicable shares, as of the close of such tax year over (b) such U.S. Holder's tax basis in such shares. A U.S. Holder that makes a Mark-to-Market Election will be allowed a deduction in an amount equal to the excess, if any, of (a) such U.S. Holder's adjusted tax basis in the applicable shares, over (b) the fair market value of such shares (but only to the extent of the net amount of previously included income as a result of the Mark-to-Market Election for prior tax years).

A U.S. Holder that makes a Mark-to-Market Election with respect to Capitan Spinout Shares or New Riverside Shares generally also will adjust such U.S. Holder's tax basis in the applicable shares to reflect the amount included in gross income or allowed as a deduction because of such Mark-to-Market Election. In addition, upon a sale or other taxable disposition of such shares, a U.S. Holder that makes a Mark-to-Market Election will recognize ordinary income or ordinary loss (not to exceed the excess, if any, of (a) the amount included in ordinary income because of such Mark-to-Market Election for prior tax years over (b) the amount allowed as a deduction because of such Mark-to-Market Election for prior tax years). Losses that exceed this limitation are subject to the rules generally applicable to losses provided in the Code and Treasury Regulations.

A Mark-to-Market Election applies to the tax year in which such Mark-to-Market Election is made and to each subsequent tax year, unless the Capitan Spinout Shares or New Riverside Shares, as applicable, cease to be "marketable stock" or the IRS consents to revocation of such election. Each U.S. Holder should consult its own tax advisors regarding the availability of, and procedure for making, a Mark-to-Market Election.

Although a U.S. Holder may be eligible to make a Mark-to-Market Election with respect to the Capitan Spinout Shares or New Riverside Shares, no such election may be made with respect to the stock of any Subsidiary PFIC that a U.S. Holder is treated as owning, because such stock is not marketable. Hence, the Mark-to-Market Election will not be effective to eliminate the application of the default rules of Section 1291 of the Code described above with respect to deemed dispositions of Subsidiary PFIC stock or distributions from a Subsidiary PFIC.

Other PFIC Rules

Under Section 1291(f) of the Code, the IRS has issued proposed Treasury Regulations that, subject to certain exceptions, would cause a U.S. Holder that had not made a timely QEF Election to recognize gain (but not loss) upon certain transfers of Capitan Spinout Shares or New Riverside Shares that would otherwise be tax- deferred (e.g., gifts and exchanges pursuant to corporate reorganizations). However, the specific U.S. federal income tax consequences to a U.S. Holder may vary based on the manner in which such shares are transferred.

Certain additional adverse rules may apply with respect to a U.S. Holder if Capitan or Riverside is a PFIC, regardless of whether such U.S. Holder makes a QEF Election. For example, under Section 1298(b)(6) of the Code, a U.S. Holder that uses Capitan Spinout Shares or New Riverside Shares as security for a loan will, except as may be provided in Treasury Regulations, be treated as having made a taxable disposition of such shares.

Special rules also apply to the amount of foreign tax credit that a U.S. Holder may claim on a distribution from a PFIC. Subject to such special rules, foreign taxes paid with respect to any distribution in respect of stock in a PFIC are generally eligible for the foreign tax credit. The rules relating to distributions by a PFIC and their eligibility for the foreign tax credit are complicated, and a U.S. Holder should consult with its own tax adviser regarding the availability of the foreign tax credit with respect to distributions by a PFIC.

The PFIC rules are complex, and each U.S. Holder should consult with its own tax advisors regarding the PFIC rules and how the PFIC rules may affect the U.S. federal income tax consequences of the acquisition, ownership, and disposition of Capitan Spinout Shares or New Riverside Shares.

Additional Considerations

Foreign Tax Credit

Subject to the PFIC rules discussed above, a U.S. Holder that pays (whether directly or through withholding) Canadian income tax in connection with the Arrangement or in connection with the ownership or disposition of Capitan Spinout Shares or New Riverside Shares may elect to deduct or credit such Canadian income tax paid. Generally, a credit will reduce a U.S. Holder's U.S. federal income tax liability on a dollar-for-dollar basis, whereas a deduction will reduce a U.S. Holder's income subject to U.S. federal income tax. This election is made on a year-by-year basis and applies to all foreign taxes paid (whether directly or through withholding) by a U.S. Holder during a tax year. The foreign tax credit rules are complex and involve the application of rules that depend on a U.S. Holder's particular circumstances. Each U.S. Holder should consult its own U.S. tax advisors regarding the foreign tax credit rules.

Receipt of Foreign Currency

The U.S. dollar value of any cash payment in Canadian dollars to a U.S. Holder will be translated into U.S. dollars calculated by reference to the exchange rate prevailing on the date of actual or constructive receipt of the dividend, regardless of whether the Canadian dollars are converted into U.S. dollars at that time. A U.S. Holder will generally have a tax basis in the Canadian dollars equal to its U.S. dollar value on the date of receipt. Any U.S. Holder who receives payment in Canadian dollars and converts or disposes of the Canadian dollars after the date of receipt may have a foreign currency exchange gain or loss that would be treated as ordinary income or loss, which generally will be U.S. source income or loss for foreign tax credit purposes. Different rules apply to U.S. Holders who use the accrual method of tax accounting.

Each U.S. Holder should consult its own U.S. tax advisors regarding the U.S. federal income tax consequences of receiving, owning, and disposing of Canadian dollars.

Information Reporting and Backup Withholding Tax

Under U.S. federal income tax law and Treasury Regulations, certain categories of U.S. Holders must file information returns with respect to their investment in, or involvement in, a foreign corporation. For example, Section 6038D of the Code generally imposes U.S. return disclosure obligations (and related penalties) on individuals who are U.S. Holders that hold certain specified foreign financial assets in excess of certain thresholds. The definition of specified foreign financial assets includes not only financial accounts maintained in foreign financial institutions, but also, unless held in accounts maintained by a financial institution, any stock or security issued by a non-U.S. person, any financial instrument or contract held for investment that has an issuer or counterparty other than a U.S. person and any interest in a foreign entity. U.S. Holders may be subject to these reporting requirements unless their shares are held in an account at a domestic financial institution. A U.S. Holder's disclosure of foreign financial assets pursuant to Section 6038D of the Code should be made on IRS Form 8938. Penalties for failure to file certain of these information returns are substantial. U.S. Holders should consult with their own tax advisers regarding the requirements of filing information returns under these rules, including the requirement to file an IRS Form 8938.

Payments made within the U.S. or by a U.S. payor or U.S. middleman, of (a) distributions on the Capitan Spinout Shares or New Riverside Shares, (b) proceeds arising from the sale or other taxable disposition of Capitan Spinout Shares or New Riverside Shares, or (c) any payments received in connection with the Arrangement (including, but not limited to, U.S. Holders exercising dissent rights under the Arrangement) generally may be subject to information reporting and backup withholding tax, at the current rate of 24% if a U.S. Holder (i) fails to furnish its correct U.S. taxpayer identification number (generally on IRS Form W-9), (ii) furnishes an incorrect U.S. taxpayer identification number, (iii) is notified by the IRS that such U.S. Holder has previously failed to properly report items subject to backup withholding tax, or (iv) fails to certify, under penalty of perjury, that such U.S. Holder has furnished its correct U.S. taxpayer identification number and that the IRS has not notified such U.S. Holder that it is subject to backup withholding tax. However, certain exempt persons generally are excluded from these information reporting and backup withholding rules. Any amounts withheld under the U.S. Backup withholding tax rules will be allowed as a credit against a U.S. Holder's U.S. federal income tax liability, if any, or will be refunded, if such U.S. Holder furnishes required information to the IRS in a timely manner. Each U.S. Holder should consult its own tax advisors regarding the information reporting and backup withholding rules.

THE ABOVE SUMMARY IS NOT INTENDED TO CONSTITUTE A COMPLETE ANALYSIS OF ALL TAX CONSIDERATIONS APPLICABLE TO SECURITYHOLDERS WITH RESPECT TO THE DISPOSITION OF THOSE SECURITIES PURSUANT TO THE ARRANGEMENT OR THE OWNERSHIP AND DISPOSITION OF THOSE SECURITIES RECEIVED PURSUANT TO THE ARRANGEMENT. U.S. HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISERS AS TO THE TAX CONSIDERATIONS APPLICABLE TO THEM IN THEIR PARTICULAR CIRCUMSTANCES.

SECURITIES LAW CONSIDERATIONS

The following is a brief summary of the securities law considerations applicable to the transactions contemplated herein.

Canadian Securities Laws and Resale of Securities

Each Riverside Shareholder is urged to consult such holder's professional advisors to determine the Canadian conditions and restrictions applicable to trades in the Capitan Shares.

Riverside is a "reporting issuer" in the provinces of British Columbia, Alberta and Ontario. The Riverside Shares are currently listed and posted for trading on the TSXV.

Upon completion of the Arrangement, Capitan is expected to be a reporting issuer in British Columbia, Alberta and Ontario. Capitan has made an application to list the Capitan Shares on the TSXV. There can be no asurances that Capitan will be able to obtain such a listing in the TSXV or any other stock exchange. Any listing will be subject to the approval of the TSXV. Capitan has also applied for a waiver of the sponsorship requirements under the rules of the TSXV.

The issuance of the New Riverside Shares and Capitan Shares pursuant to the Arrangement will constitute a distribution of securities, which is exempt from the prospectus requirements of Canadian securities legislation. The New Riverside Shares and Capitan Shares issued to Riverside Shareholders may be resold in each of the provinces and territories of Canada provided the holder is not a 'control person' as defined in the applicable Securities Legislation, no unusual effort is made to prepare the market or create a demand for those securities and no extraordinary commission or consideration is paid in respect of that sale.

U.S. Securities Laws

Status Under U.S. Securities Laws

Each of Riverside and Capitan is a "foreign private issuer" as defined in Rule 405 under the U.S. Securities Act. The Riverside Shares are quoted in the United States on the OTCQB market. The Capitan Shares are not listed or quoted for trading in the United States, nor does Capitan intend to seek such a listing or quotation at this time.

The following discussion is a general overview of certain requirements of U.S. federal securities laws that may be applicable to U.S. Securityholders. All U.S. Securityholders are urged to consult with their own legal counsel to ensure that any subsequent resale of the New Riverside Shares and Capitan Shares, or Capitan Options and Riverside Replacement Options issued to them, or the Riverside Warrants, as applicable, under the Plan of Arrangement complies with applicable securities legislation. **Further information applicable to U.S. Securityholders is disclosed under the heading "*Note to United States Securityholders*".**

The following discussion does not address the Canadian securities laws that will apply to the issue of the New Riverside Shares and Capitan Shares or the resale of these shares by U.S. Securityholders within Canada. U.S. Securityholders reselling their New Riverside Shares and Capitan Shares, or Capitan Options and Riverside Replacement Options, or Riverside Warrants, as applicable, in Canada must comply with Canadian securities laws, as outlined elsewhere in this Information Circular.