

RIVERSIDE RESOURCES INC.

(An Exploration Stage Enterprise)

(Expressed in Canadian Dollars)

Condensed Interim Consolidated Financial Statements

For the Three Months Ended December 31, 2018

(Unaudited- Expressed in Canadian Dollars)

RIVERSIDE RESOURCES LTD.

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December 31, 2018

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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 three months ended December 31, 2018 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	December 31, 2018	September 30, 2018
Assets			
Current assets:			
Cash and cash equivalents	14	\$ 1,613,254	\$ 2,060,078
Short-term investments	5	1,073,933	808,746
Receivables	6	484,926	484,879
Prepaid expenses	7	133,214	108,705
		3,305,327	3,462,408
Equipment	8	58,369	62,451
Exploration and evaluation assets	9	5,662,864	5,344,749
		\$ 9,026,560	\$ 8,869,608

Liabilities and Shareholders' Equity

Current liabilities:

Accounts payable and accrued liabilities	10	\$ 91,544	\$ 126,731
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Shareholders' equity:

Capital stock	11	24,590,428	24,590,428
Reserves	11	3,203,482	3,194,415
Deficit		(17,765,516)	(17,917,156)
Accumulated other comprehensive loss		(1,093,378)	(1,124,810)
		8,935,016	8,742,877
		\$ 9,026,560	\$ 8,869,608

Nature and continuance of operations (Note 1)

Contingency (Note 18)

Subsequent events (Note 19)

On behalf of the Board on February 28, 2019

“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	Three months ended December 31, 2018	Three months ended December 31, 2017
Expenses			
Consulting fees	12	\$ 75,627	\$ 60,283
Depreciation	8	3,714	5,824
Director fees	12	12,000	12,000
Foreign exchange (gain) loss		(82,892)	58,394
General and administration		25,606	24,154
Investor relations	12	52,216	50,942
Professional fees		24,235	26,197
Property investigation and evaluation	12	-	29,578
Rent		19,348	41,625
Share-based payments	11,12	9,067	35,620
Finance income		(3,523)	(6,214)
Other income	5	(325,000)	(7,590)
Unrealized loss (gain) on short-term investments	5	59,813	(56,913)
Gain on debt settlement		(21,851)	-
Recovery on exploration and evaluation assets		-	(124,802)
Net income (loss) for the period		151,640	(149,098)
Foreign exchange movements		31,432	(398,222)
Comprehensive income (loss) for the period		183,072	(547,320)
Income (loss) per share – basic and diluted		\$ 0.00	\$ (0.00)
Weighted average number of common shares outstanding			
– basic and diluted		44,609,313	44,324,313

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 three months ended December 31,

(Unaudited- Expressed in Canadian Dollars)

	Note	2018	2017
OPERATING ACTIVITIES			
Net income (loss) for the period		\$ 151,640	\$ (149,098)
Items not involving cash			
Depreciation	8	3,714	5,824
Share-based payments	11	9,067	35,620
Unrealized loss (gain) on short-term investments	5	59,813	(56,913)
Other income	5	(325,000)	-
Recovery on exploration and evaluation assets		-	(124,802)
Change in non-cash working capital items:			
Prepaid expenses		(24,509)	4,513
Receivables		(47)	(27,743)
Accounts payable and accrued liabilities		(28,582)	37,882
		(153,904)	(274,717)
INVESTING ACTIVITIES			
Exploration advances – accounts payable and accrued liabilities		-	141,822
Exploration and evaluation assets		(293,239)	135,467
		(293,329)	277,289
Effect of foreign exchange on cash and cash equivalents		319	(393,314)
Increase (decrease) in cash and cash equivalents		(446,824)	(390,742)
Cash and cash equivalents, beginning of the period		2,060,078	3,918,999
Cash and cash equivalents, end of the period		\$ 1,613,254	\$ 3,528,257

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				Accumulated other comprehensive loss	Total
	Note	Shares	Amount	Reserves	Deficit		
Balance at September 30, 2017		44,179,313	\$ 24,472,028	\$ 3,046,457	\$ (16,454,461)	\$ (1,175,741)	\$ 9,888,283
Issued for:							
Performance bonus shares	11	230,000	64,400	-	-	-	64,400
Share-based payments	11	-	-	35,620	-	-	35,620
Loss for the period		-	-	-	(149,098)	-	(149,098)
Foreign exchange movements		-	-	-	-	(398,219)	(398,219)
Balance at December 31, 2017		44,409,313	24,536,428	3,082,077	(16,603,559)	(1,573,960)	9,440,986
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:							
Share-based payments	11	-	-	9,067	-	-	9,067
Income for the period		-	-	-	151,640	-	151,640
Foreign exchange movements		-	-	-	-	31,432	31,432
Balance at December 31, 2018		44,609,313	\$ 24,590,428	\$ 3,203,482	\$ (17,765,516)	\$ (1,093,378)	\$ 8,935,016

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 three months ended December 31, 2018

(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 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. The Company’s registered and records office address is 1500 – 1055 West Georgia Street, Vancouver, British Columbia, Canada V6E 4N7.

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, 2018. 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, 2019.

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

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 three months ended December 31, 2018

(Unaudited - Expressed in Canadian Dollars)

4. Significant accounting policies

Principles of consolidation

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

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

New and revised standards and interpretations

The accounting policies applied in the preparation of these consolidated financial statements are consistent with those applied and disclosed in the Company's audited financial statements for the year ended September 30, 2018, except for the adoption, on October 1, 2018, the Company adopted all of the requirements of IFRS 9, *Financial Instruments: Classification and Measurement* ("IFRS 9"), which has an initial application as at this date.

IFRS 9, *Financial Instruments* (new; replaces IAS 39)

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, *Financial Instruments: Recognition and Measurement* ("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 and loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI") or at amortized cost. The classification depends on the purpose for which the financial assets were acquired. The determination of the classification of financial assets is made at initial recognition. Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVTPL; for other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument -by-instrument basis) to designate them as at FVTOCI.

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

Financial assets at FVTPL: Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets held at FVTPL are included in the statement of loss and comprehensive loss in the period.

RIVERSIDE RESOURCES INC.

(An Exploration Stage Enterprise)

Notes to the Condensed Interim Consolidated Financial Statements for the three months ended December 31, 2018

(Unaudited - Expressed in Canadian Dollars)

4. Significant accounting policies (continued)

New and revised standards and interpretations (continued)

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 (loss) income in which they arise. There is no subsequent reclassification of fair value gains and losses for profit or loss following the derecognition of the investment.

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 recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

Derecognition of financial assets: Financial assets are derecognized when they mature or are sold, and substantially all the risks and rewards of ownership have been transferred. Gains and losses on derecognition of financial assets classified as FVTPL or amortized cost are recognized in the statement of loss and comprehensive loss. Gains or losses on financial assets classified as FVTOCI remain within accumulated other comprehensive loss.

IFRS 9, *Financial Instruments* (new; replaces IAS 39)

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

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

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

IFRS 15, *Revenue Recognition*

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 any significant impact on the Company's interim financial statement.

RIVERSIDE RESOURCES INC.

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Notes to the Condensed Interim Consolidated Financial Statements for the three months ended December 31, 2018
(Unaudited - Expressed in Canadian Dollars)

4. Significant accounting policies (continued)

New standards and interpretations not yet adopted

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for future accounting periods. The following have not yet been adopted by the Company.

IFRIC 23, Uncertainty over Income Tax Treatments

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 interpretation is effective for annual periods beginning on January 1, 2019. The Company is currently assessing the impact of IFRIC 23 on its condensed interim consolidated statements.

IFRS 16, Leases

New standard to establish principles for recognition, measurement, presentation and disclosure of leases with an impact on lessee accounting, effective for annual periods beginning on or after January 1, 2019. The Company is currently assessing the impact of IFRS 16 on its condensed interim consolidated statements.

RIVERSIDE RESOURCES INC.

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Notes to the Condensed Interim Consolidated Financial Statements for the three months ended December 31, 2018

(Unaudited - Expressed in Canadian Dollars)

5. Short-term investments

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

	December 31, 2018			September 30, 2018		
	Number of shares	Cost	Fair market value	Number of shares	Cost	Fair market value
Arcus Development Group Inc.	29,000	\$ 11,020	\$ 1,305	29,000	\$ 11,020	\$ 1,160
Croesus Gold Corp. ⁽¹⁾	4,500,000	450,000	975,000	3,000,000	300,000	650,000
Guerrero Exploration Inc.	1,926,000	343,049	-	1,926,000	343,049	-
E3 Metals Corp. ⁽³⁾	55,087	160,667	17,628	55,087	160,667	22,586
Sierra Madre Developments Inc. ⁽⁴⁾	12,503,218	1,103,791	-	12,503,218	1,103,791	-
Silver Viper Minerals Corp.	1,000,000	250,000	80,000	1,000,000	250,000	135,000
		\$ 2,318,527	\$ 1,073,933		\$ 2,168,527	\$ 808,746

⁽¹⁾ During the year ended September 30, 2017, the Company sold 3,000,000 shares of Croesus Gold Corp., (“Croesus”), a private company, for \$650,000, which provided the basis of the fair value measurement of Croesus Gold Corp. shares as at September 30, 2018 and 2017. On December 18, 2018, the Company received 1,500,000 shares of Croesus, for the fair market value of \$325,000, as per the terms of the Sugarloaf Peak option agreement and amending agreement that the Company entered into in December 2014 and 2015, respectively. Croesus issued 1,500,000 common shares to the Company because Croesus did not complete a public listing within 36 months of the amendment date.

⁽²⁾ E3 Metals Corp. was formerly named Savannah Gold Corp. and consolidated its common shares on the basis of five old shares for one new share on March 3, 2017.

⁽³⁾ The Company holds approximately 23.2% of the issued and outstanding shares of Sierra Madre Developments Inc. (“Sierra Madre”). The presumption that the Company has significant influence by holding 20% or more of the voting power through its common share holdings in Sierra Madre is overcome due to the fact that the Company has no representation on the board of directors, and is not involved in policy-making processes, there is no interchange of managerial personnel, and there is no provision of essential technical information. As a result, the investment is carried on the statement of financial position at fair value with changes in fair value recognized in the profit or loss. The common shares of Sierra Madre are suspended from trading.

6. Receivables

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

	December 31, 2018	September 30, 2018
GST recoverable amounts in Canada	\$ 13,315	\$ 13,381
IVA recoverable amounts in Mexico	448,050	448,039
Land taxes recovery in Mexico	23,561	23,459
	\$ 484,926	\$ 484,879

7. Prepaid expenses

The breakdown of prepaid expenses is as follows:

	December 31, 2018	September 30, 2018
Conferences and courses	\$ 34,738	\$ 32,631
Expense advances	70,775	44,955
Insurance	15,172	18,599
Rent	12,529	12,520
	\$ 133,214	\$ 108,705

RIVERSIDE RESOURCES INC.

(An Exploration Stage Enterprise)

Notes to the Condensed Interim Consolidated Financial Statements for the three months ended December 31, 2018

(Unaudited - Expressed in Canadian Dollars)

8. Equipment

	Computer hardware	Exploration equipment	Furniture & fixtures	Vehicles	TOTAL
Cost					
Balance at September 30, 2017	\$ 85,955	\$ 126,357	\$ 34,121	\$ 128,399	\$ 374,832
Disposals	-	-	-	(16,649)	(16,649)
Foreign exchange movement	86	714	144	716	1,660
Balance at September 30, 2018	\$ 86,041	\$ 127,071	\$ 34,265	\$ 112,466	\$ 359,843
Foreign exchange movement	59	486	98	488	1,131
Balance at December 31, 2018	\$ 86,100	\$ 127,557	\$ 34,363	\$ 112,954	\$ 360,974
Accumulated depreciation					
Balance at September 30, 2017	\$ (81,481)	\$ (92,839)	\$ (25,351)	\$ (89,057)	\$ (288,728)
Depreciation	(2,230)	(6,614)	(1,734)	(13,066)	(23,644)
Disposals	-	-	-	16,649	16,649
Foreign exchange movement	(92)	(668)	(134)	(775)	(1,669)
Balance at September 30, 2018	\$ (83,803)	\$ (100,121)	\$ (27,219)	\$ (86,249)	\$ (297,392)
Depreciation	(252)	(1,309)	(343)	(2,256)	(4,160)
Foreign exchange movement	(59)	(437)	(87)	(470)	(1,053)
Balance at December 31, 2018	\$ (84,114)	\$ (101,867)	\$ (27,649)	\$ (88,975)	\$ (302,605)
Net book value					
Balance at September 30, 2018	\$ 2,238	\$ 26,950	\$ 7,046	\$ 26,217	\$ 62,451
Balance at December 31, 2018	\$ 1,986	\$ 25,690	\$ 6,714	\$ 23,979	\$ 58,369

RIVERSIDE RESOURCES INC.

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Notes to the Condensed Interim Consolidated Financial Statements for the three months ended December 31, 2018

(Unaudited - Expressed in Canadian Dollars)

9. Exploration and evaluation assets

For the period ended December 31, 2018

	Penoles Mexico	Tajitos Mexico	La Silla Mexico	Australia Mexico	Thor Mexico	Ariel Mexico	Cecilia Mexico	Teco Mexico	Suaqui Verde Mexico	Total
Acquisition costs	\$ 1,157	\$ 2,853	\$ 62	\$ 33	\$ -	\$ -	\$ 6,093	\$ (2,083)	\$ 2,226	\$ 10,341
Exploration costs:										
Access	-	-	-	-	-	-	-	-	-	-
Assaying	1,975	-	-	2,110	-	-	9,987	-	-	14,072
Field & camp costs	4,141	1,270	1,497	35	-	32	4,278	1,548	997	13,798
Geological consulting	70,275	14,984	26,840	3,838	149	5,549	105,466	-	18,746	245,847
Transport & support	15,518	10,293	10,071	965	1,292	154	12,655	694	1,275	52,917
Total current exploration costs	91,909	26,547	38,408	6,948	1,441	5,735	132,386	2,242	21,018	326,634
Professional & other fees:										
Professional consulting	-	-	-	-	-	-	-	-	-	-
Legal fees	2,450	9,025	591	-	-	-	768	63	-	12,897
Others	-	-	-	-	-	-	5,725	-	-	5,725
Total current professional & other fees	2,450	9,025	591	-	-	-	6,493	63	-	18,622
Total costs incurred during the period	95,516	38,425	39,061	6,981	1,441	5,735	144,972	222	23,244	355,597
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	(68,963)	-	-	-	-	-	-	-	-	68,963
Write off	-	-	-	-	-	-	-	-	-	-
Foreign exchange movements	15,337	8,181	1,333	216	168	121	4,481	663	981	31,481
Balance, End of the period	\$ 1,316,447	\$ 2,322,960	\$ 481,785	\$ 14,891	\$ 67,310	\$ 66,746	\$ 1,210,156	\$ 158,344	\$ 24,225	\$ 5,662,864
Cumulative costs:										
Acquisition	\$ 3,952,859	\$ 876,737	\$ 47,564	\$ 1,094	\$ 21,916	\$ 3,360	\$ 240,090	\$ 41,528	\$ 2,226	\$ 5,187,374
Exploration	1,729,041	1,323,603	417,593	13,510	34,308	52,100	706,551	89,554	21,018	4,387,278
Professional & other fees	686,867	275,454	40,133	-	7,237	10,328	126,593	1,587	-	1,148,199
Recoveries	(4,593,363)	-	(25,000)	-	-	-	-	-	-	(4,618,363)
Write-off	-	-	-	-	-	-	-	-	-	-
Foreign exchange movements	(458,957)	(152,834)	1,495	287	3,849	958	136,922	25,675	981	(441,624)
	\$ 1,316,447	\$ 2,322,960	\$ 481,785	\$ 14,891	\$ 67,310	\$ 66,746	\$ 1,210,156	\$ 158,344	\$ 24,225	\$ 5,662,864

RIVERSIDE RESOURCES INC.

(An Exploration Stage Enterprise)

Notes to the Condensed Interim Consolidated Financial Statements for the three months ended December 31, 2018

(Unaudited - Expressed in Canadian Dollars)

9. Exploration and evaluation assets (cont'd...)

For the year ended September 30, 2018

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

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(An Exploration Stage Enterprise)

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(Unaudited - Expressed in Canadian Dollars)

9. Exploration and evaluation assets (cont'd...)

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, the United States, 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, 2018, the Company received \$140,933 in cash as land taxes recovery from the Government in Mexico.

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

(b) Tajitos, Sonora, Mexico

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

(c) Clemente, Sonora, Mexico

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

Due Date	Cash	Common shares	Cumulative exploration expenditures
August 23, 2016 (signing of LOI)	\$ 15,000 (received)	-	-
December 2, 2016	\$ 71,500 (received)	1,000,000 (received)	-
December 2, 2017	\$ 50,000 (received) ⁽¹⁾	-	\$ 350,000 (incurred)
December 2, 2018	\$ 75,000	-	\$ 850,000
December 2, 2019	\$ 100,000	-	\$ 1,600,000
December 2, 2020	\$ 150,000	250,000	\$ 2,600,000
December 2, 2021	\$ 335,000	750,000	\$ 4,000,000

⁽¹⁾ Option payment was received on December 4, 2017

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

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(Unaudited - Expressed in Canadian Dollars)

9. Exploration and evaluation assets (cont'd...)

(c) Clemente, Sonora, Mexico (cont'd...)

On August 24, 2018, Silver Viper provided the Company with notice that it had elected not to complete the \$4,000,000 in exploration expenditures required to earn a 100% interest in the Clemente Project, and as a result was terminating its option on the property. There were \$225,403 in historical capitalized costs associated with this project which have been written off during the year ended September 30, 2018.

(d) La Silla, Sinaloa, Mexico

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

On May 30, 2018, the Company entered into an option agreement 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	-	\$100,000	\$ 300,000
January 28, 2021	-	\$100,000	\$ 1,000,000
January 28, 2022	-	\$700,000	\$ 2,000,000

⁽¹⁾ Option payments were received in June and July 2018.

⁽²⁾ Option payment was received on January 25, 2019.

⁽³⁾ 1,000,000 common shares were received on February 20, 2019.

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

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9. Exploration and evaluation assets (cont'd...)

(e) Glor, Sonora, Mexico

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

Due Date	Cash (USD)	Common shares (USD)	Cumulative exploration expenditures (USD)
November 24, 2014	\$ 12,500 (paid)	-	-
November 24, 2015	-	-	\$ 125,000 (incurred)
November 24, 2016	\$ 25,000 (paid)	-	\$ 425,000 (incurred)
November 24, 2017	-	-	\$ 925,000 (incurred)
November 24, 2018	\$ 12,500	\$12,500 (cash or shares)	-
November 24, 2019	\$ 50,000	\$50,000 (cash or shares)	\$ 2,500,000

The Company can reduce the NSR to 0.5% at any time by paying \$1,250,000 to Argonaut. No acquisition costs are capitalized as they were paid through the exploration alliance before the Company assumed the interest.

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

On June 21, 2018, the Company and Minera Centerra decided not to continue with further exploration at the project. The Company has also terminated the underlying option agreement with Argonaut. There were \$290,810 in historical capitalized costs associated with this project which have been written off during the year ended September 30, 2018.

(f) Bacoachi, Sonora, Mexico

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

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

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(Unaudited - Expressed in Canadian Dollars)

9. Exploration and evaluation assets (cont'd...)

(g) Thor Project, Sonora, Mexico

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

(h) Ariel, Sonora, Mexico

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

(i) Cecilia, Sonora, Mexico

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

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

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

(j) Teco, Sonora, Mexico

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

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9. Exploration and evaluation assets (cont'd...)

(k) Australia, Sonora, Mexico

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

(l) Suaqui Verde, Suaqui Grande, Mexico

The Company acquired a 100% interest in Suaqui Verde Property on December 18, 2018.

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

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

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

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:

	December 31, 2018	September 30, 2018
Payables to vendors	\$ 91,544	\$ 126,731
	\$ 91,544	\$ 126,731

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Notes to the Condensed Interim Consolidated Financial Statements for the three months ended December 31, 2018

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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 three months ended December 31, 2018

There were no transactions affecting share capital during the three months ended December 31, 2018.

Shares issued for the year ended September 30, 2018

- (a) On November 3, 2017, the Company issued 230,000 bonus shares at a fair value of \$64,400 to certain executive officers and consultants of the Company in accordance with the Company's shareholder approved bonus share plan.
- (b) On April 24, 2018, the Company issued 200,000 common shares with a fair value of \$54,000 to Gunpoint in accordance with the letter agreements for the Cecilia property (Note 9 (i)).

Share purchase and finders' warrants

	Number of warrants	Weighted average exercise price
Outstanding warrants, September 30, 2017	3,204,767	\$ 0.85
Issued	-	-
Outstanding warrants, September 30, 2018	3,204,767	\$ 0.85
Issued	-	-
Outstanding warrants, December 31, 2018	3,204,767	\$ 0.85

As at December 31, 2018, 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
03/15/2019	3,130,183	0.20	\$ 0.85
04/24/2019	74,584	0.31	\$ 0.85
	3,204,767	0.21	\$ 0.85

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11. Capital stock and reserves (cont'd...)

Bonus share plan

The Company has a bonus share plan (“Bonus Plan”) that enables the directors to approve the issuance of bonus shares to employees, officers, directors and consultants of the Company. The existing Bonus Plan which was approved during the year ended September 30, 2018, replaces the preceding plan, and the number of bonus shares that may be issued under the Bonus Plan is 400,000 common shares. During the three months ended December 31, 2018, nil (September 31, 2018 - 230,000) bonus shares were issued under this plan.

Stock options

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

Share-based payments relating to options vested during the three months ended December 31, 2018, using the Black-Scholes option pricing model was \$9,067 (September 31, 2018 - \$147,958), which was recorded as reserves on the statements of financial position and as share-based payment expense in profit or loss. The associated share-based payment expense for the options granted during the year was calculated based on the following weighted average assumptions:

	2019	2018
Forfeiture rate	3.65%	2.96 %
Estimated risk-free rate	1.33 %	1.22 %
Expected volatility	82.34%	81.12%
Estimated annual dividend yield	0.00 %	0.00 %
Expected life of options	5.00 years	5.00 years
Fair value per option granted	\$ 0.18	\$ 0.18

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

	Number of options	Weighted average exercise price
Outstanding options, September 30, 2017	2,996,000	\$ 0.36
Forfeited	(30,000)	\$ 0.28
Exercised	(525,000)	\$ 0.65
Granted	760,000	\$ 0.28
Outstanding options, September 30, 2018	3,201,000	\$ 0.29
Forfeited	(140,500)	\$ 0.31
Outstanding options, December 31, 2018	3,060,500	\$ 0.29

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(Unaudited - Expressed in Canadian Dollars)

11. Capital stock and reserves (cont'd...)

Stock options (cont'd...)

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

During the three months ended December 31, 2018, 140,500 stock options forfeited.

As at December 31, 2018, the Company has outstanding stock options exercisable as follows:

Expiry date (mm/dd/yyyy)	Number of options outstanding	Weighted average remaining life in years	Exercise price	Number of options exercisable
11/14/2019	723,000	0.87	\$ 0.27	723,000
01/07/2021	707,500	2.02	\$ 0.15	707,500
12/16/2021	935,000	2.96	\$ 0.42	935,000
11/03/2022	695,000	3.84	\$ 0.28	695,000
	3,060,500	2.45		3,060,500

12. Related party transactions

The Company entered into the following transactions with related parties:

Payee	Nature of transactions	Period ending December 31	Fees (\$)	Shares (\$)	Amount payable at period end (\$)
Arriva Management Inc.	Management and consulting fees (i)	2018	58,200	Nil	\$7,393
		2017	50,370	Nil	20,370
GSBC Financial Management Inc.	Management and consulting fees (i)	2018	24,000	Nil	Nil
		2017	24,000	Nil	Nil
Ronald Burk	Consulting fees (i)	2018	Nil	Nil	Nil
		2017	29,204	Nil	Nil
English Bay Capital	Consulting fees (i)	2018	3,750	Nil	\$1,313
		2017	11,500	Nil	Nil
Omni Resource Consulting Ltd.	Consulting fees (i)	2018	32,500	Nil	Nil
		2017	Nil	Nil	Nil
Brian Groves	Director fees	2018	3,000	Nil	Nil
		2017	3,000	Nil	Nil
James Clare	Director fees	2018	3,000	Nil	Nil
		2017	3,000	Nil	Nil
Carol Ellis	Director fees	2018	3,000	Nil	Nil
		2017	3,000	Nil	Nil
Walter Henry	Director fees	2018	3,000	Nil	Nil
		2017	3,000	Nil	Nil

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Notes to the Condensed Interim Consolidated Financial Statements for the three months ended December 31, 2018

(Unaudited - Expressed in Canadian Dollars)

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 three months ended December 31, 2018 and 2017 are as follows:

	2018	2017
Directors' fees	\$ 12,000	\$ 12,000
Management and consulting fees (i)	118,450	120,574
Performance bonus shares	-	63,000
Share-based payments	<u>7,275</u>	<u>212,593</u>
	<u>\$ 137,725</u>	<u>\$ 408,167</u>

(i) Management and consulting fees of the key management personnel for the period were allocated as follows: \$27,000 (2017 - \$32,500) expensed to consulting fees, \$3,750 (\$2017 - \$11,500) expensed to investor relations, \$87,700 (2017 - \$76,574) capitalized to exploration and evaluation assets.

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.

	December 31, 2018	September 30, 2018
Equipment		
Canada	\$ 9,334	\$ 9,969
Mexico	<u>49,035</u>	<u>52,482</u>
	<u>58,369</u>	<u>62,451</u>
Exploration and evaluation assets		
Canada	-	-
Mexico	<u>5,662,864</u>	<u>5,344,749</u>
	<u>5,662,864</u>	<u>5,344,749</u>
Total	<u>\$ 5,721,233</u>	<u>\$ 5,407,200</u>

RIVERSIDE RESOURCES INC.

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Notes to the Condensed Interim Consolidated Financial Statements for the three months ended December 31, 2018

(Unaudited - Expressed in Canadian Dollars)

14. Supplemental disclosure with respect to cash flows

	December 31, 2018	September 30, 2018
Cash	\$ 456,988	\$ 956,263
Cash equivalents	1,156,266	1,103,815
	1,613,254	2,060,078

The significant non-cash transactions for the three months ended December 31, 2018 were as follows:

- a) Included in accounts payable was \$7,393 in exploration and evaluation asset expenditures.

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

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

RIVERSIDE RESOURCES INC.

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Notes to the Condensed Interim Consolidated Financial Statements for the three months ended December 31, 2018

(Unaudited - Expressed in Canadian Dollars)

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 three months ended December 31, 2018. The Company is not currently subject to externally imposed capital requirements.

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 December 31, 2018, the Company had cash and cash equivalents of \$1,613,254 to settle current liabilities of \$91,544. 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 December 31, 2018, the Company had investments in short-term deposit certificates of \$1,046,149.

RIVERSIDE RESOURCES INC.

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Notes to the Condensed Interim Consolidated Financial Statements for the three months ended December 31, 2018

(Unaudited - Expressed in Canadian Dollars)

17. Financial instruments (cont'd...)

Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on profit or loss and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold, silver and copper, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

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

Foreign currency risk

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

Sensitivity analysis

The Company operates in Mexico and is exposed to risk from changes in the US dollar and the Mexican peso. A simultaneous 10% fluctuation in the US dollar and Mexican peso against the Canadian dollar would affect loss for the period by \$117,582.

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 \$67,480.

18. Contingency

During the period ended December 31, 2018, the Company initiated a lawsuit against the Government of Mexico, regarding an assessment made by the Mexican tax authorities that deemed funds provided by the Company to its wholly-owned subsidiary Riverside Resources Mexico S.A. de C.V. in previous fiscal year to be income. The position of the Mexican tax authority is that there are income taxes and value added taxes payable in that year. The Company believes this position is completely without merit. The Company has not accrued any amount associated with the position of the Mexican tax authority as the outcome of the lawsuit has yet to be determined and it is unclear what the tax payable position would be, if any, in the event the proceedings are not concluded in the Company's favor.

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Notes to the Condensed Interim Consolidated Financial Statements for the three months ended December 31, 2018

(Unaudited - Expressed in Canadian Dollars)

19. Subsequent events

On January 8, 2019, the Company granted 785,000 incentive stock 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. There were also 265,000 bonus shares issued at a fair value of \$47,700 to certain executive officers and consultants on the same date.

On January 25, 2019, the Company received \$35,000 option payment.; subsequently, on February 20, 2019, the Company received 1,000,000 common shares from Sinaloa Resources Corp. in accordance with the option agreement for the La Silla Property (Note 9 (d)).

On January 31, 2019, the Company paid \$75,000 in cash and issued 300,000 common shares with a fair market value \$51,000 to Gunpoint in accordance with the letter agreements for the Cecilia Property (Note 9 (i)).

RIVERSIDE RESOURCES INC.

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED DECEMBER 31, 2018

Riverside Resources Inc.

Management Discussion and Analysis

For the three months ended December 31, 2018

INTRODUCTION

The management's discussion and analysis of the financial condition and results of operations ("MD&A") focuses upon the activities, results of operations, liquidity and capital resources of Riverside Resources Inc. (the "Company" or "Riverside") for the three months ended December 31, 2018. In order to better understand the MD&A it should be read in conjunction with the audited financial statements and related notes for the year ended September 30, 2018. The Company's financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and filed with appropriate regulatory authorities in Canada. This MD&A is current to February 28, 2019 and in Canadian dollars unless otherwise stated.

Additional information relating to the Company, including its Information Circular for the financial year ended September 30, 2018, is available under the Company's profile on SEDAR at www.sedar.com.

Forward-Looking Statements

Information set forth in this MD&A may involve forward-looking statements under applicable securities laws. Forward-looking statements are statements that relate to future, not past, events. In this context, forward-looking statements often address expected future business and financial performance, and often contain words such as "anticipate", "believe", "plan", "estimate", "expect", and "intend", statements that an action or event "may", "might", "could", "should", or "will" be taken or occur, or other similar expressions. All statements, other than statements of historical fact, included herein including, without limitation; statements about the size and timing of future exploration on and the development of the Company's properties are forward-looking statements. By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the Company's actual results, performance or achievements, or other future events, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the following risks: the need for additional financing; operational risks associated with mineral exploration; fluctuations in commodity prices; title matters; environmental liability claims and insurance; reliance on key personnel; the volatility of our common share price and volume and other reports and filings with the TSX Venture Exchange and applicable Canadian securities regulations. Forward-looking statements are made based on management's beliefs, estimates and opinions on the date that statements are made and the Company undertakes no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change, except as required by applicable securities laws. There can be no assurance that such statements will prove to be accurate, and future events and actual results could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from our expectations are disclosed in the Company's documents filed from time to time via SEDAR with the Canadian regulatory agencies to whose policies the Company is bound. Investors are cautioned against attributing undue certainty to forward-looking statements.

The users of this information, including but not limited to investors and prospective investors, should read it in conjunction with all other disclosure documents provided including but not limited to all documents filed on SEDAR (www.SEDAR.com).

CORPORATE OVERVIEW

The Company is a mineral exploration and development company listed on the TSX Venture Exchange under the symbol "RRI" and is engaged in the acquisition, exploration and development of exploration and evaluation assets in the Americas including Canada, the United States and Mexico where the technical team collectively has more than 100 years of exploration experience and has been part of more than five discoveries that have gone into production.

The Company combines the experience of mine discoverer John-Mark Staude (President, CEO, Director), and Freeman Smith (Vice President Exploration) with the finance and business management expertise of Rob Scott (CFO), Brian Groves (Director), James Clare (Director), Walter Henry (Director) and Carol Ellis (Director). Management has experience in developing significant shareholder value and they have assembled a team that can build a valuable and successful organization.

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CAPITAL STOCK

As at December 31, 2018, the Company had \$24,590,428 in capital stock and 44,609,313 common shares outstanding.

Options and Performance Bonus Shares

Stock option and performance bonus share activity for the period ended December 31, 2018 included the following:

(a) 140,500 options were forfeited.

Stock option and performance bonus share activity for the year ended September 30, 2018 included the following:

(b) 760,000 options were granted, exercisable at a price of \$0.28 per common share for a period of 5 years.

(c) 30,000 options were forfeited.

(d) 525,000 options were expired.

(e) 230,000 bonus shares were issued at a fair value of \$64,400 to certain executive officers and consultants of the Company.

Warrants

There were 3,204,767 share purchase warrants outstanding as December 31, 2018 (September 30, 2018 – 3,204,767).

OPERATIONS

The Company's exploration team remains active in Mexico and continues to cost-effectively build a strong asset portfolio of gold, silver and copper exploration projects. The Company continues to focus on northern and central Mexico where it has exploration partners funding programs have focused on gold and silver.

Cecilia Gold Project, Sonora, Mexico

The Cecilia project is located 40 km southwest of the Mexico-U.S.A. border town of Agua Prieta in Sonora, Mexico and is easily accessed by paved highway and dirt roads. The project is a low sulphidation epithermal Au-Ag rhyolite flow dome complex and is 6,897 ha (68 km²) in size.

On October 2, 2018 the Company reported on rock chip channel samples from the Cerro Magallanes area. Previously Riverside announced positive results from a soil survey covering approximately 30% of the 50 km² Cecilia 1 claim area surrounding the main Cerro Magallanes dome complex (see press release September 11, 2018). Riverside's new rock sampling results from the main central rhyolitic dome complex expands upon historical sampling for gold within breccias and veins on Cerro Magallanes. Dome margins also show positive potential for near surface gold targets and indications for potential gold and silver bodies at depth.

At Cerro Magallanes this work defines four main target areas with assay intervals on outcrops that are perpendicular to the existing structures to estimate the true surface widths of the different featured zones. The channel sampling program included 305 samples ranging from <0.05 to 19.00 g/t Au. Sampling shows consistent gold from the top of Cerro Magallanes at the San Jose Target northeast along the Agua Prieta-North Breccia Target and through the Central and East Target areas.

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Channel samples with gold values of note include:

- San Jose Target – 47m @ 1.12 g/t from underground workings
- Agua Prieta – North Breccia – 10m @ 3.34 g/t from surface channel
- Central Target- 14m @ 2.44 g/t from underground workings
- East Target – 11.5m @ 1.57 g/t from surface channel

Targets on Cerro Magallanes:

North Breccia

The North Breccia is a wide breccia zone formed along the north margin of the main composite rhyolite dome with historic drill intercepts (Cambior DDH 138-95-08) of 30.4 m @ 1.41 g/t Au). Rock channel sampling by Riverside's returned 10m @ 3.34 g/t Au (both ends remain open).

The North Breccia extends upslope to the southwest more than 600 m merging with the Agua Prieta Zone and intersecting the San Jose NW trending Target Zone at the topographic peak of the dome complex. The North Breccia was historically rock chip channel sampled, returning good gold grades. The intersection of the North Breccia and the San Jose structure remain a top priority for drill testing. At the North Breccia and elsewhere on Cecilia the rhyolite dome is the main host unit where gold mineralization has been predominantly found in the breccia matrix. The North Breccia target is typical of dome margin breccias and is like deposits found in Peru, Bolivia, and Colorado where gold is largely hosted in the matrix. These deposit types are favorable hosts for bulk mining scenarios.

San Jose (West Area)

The west area of Cerro Magallanes is bisected by a large northwest trending structural zone of up to 60 m wide and hosts more than half a dozen old gold mine workings. Mineralized structures show predominantly silica alteration and commonly dip steeply to the NE with widths of 10-30 m. Sampling by Cambior (1995) within the workings returned 47m @ 1.12 g/t Au along the structural zone, while sampling across the structure by Riverside returned 8m @ 1.50 g/t Au in cross cut #26. The San Jose Target strikes more than 700 m in length and has not yet been drilled, however, historical sampling by Cambior along the structure on surface returned 3 to 9 g/t gold in 2m chip channel samples. These veins show classic epithermal multigenerational opening and filling typical of feeder zones like those at the San Julian Mine in Chihuahua also of the same mid-Tertiary age.

Agua Prieta Target (striking NE)

The Agua Prieta and North Breccia form a somewhat continuous zone of gold-bearing silicified breccia that extends northwest, downslope from its intersection with the San Jose target to mid-slope of Cerro Magallanes as shown in Figure 1. Sampling on the dome margin here shows anomalous values and frequent higher-grade gold zones in silicified and brecciated rhyolitic rock. The new channel sampling has delineated the drill target that lies above the North Breccia. This target begins near surface and extends downward toward the subvolcanic conglomerate and sediments outcropping near the base of Cerro Magallanes. Cerro Magallanes overall appears analogous to the Pitarilla deposit in Durango, Mexico. Pitarilla hosts >500M Oz Ag grading approximately 100 g/t silver. Pitarilla was discovered by the exploration team at Silver Standard (now SSR Mining Inc.), which included Ron Burk, Technical Advisor to Riverside Resources.

The Agua Prieta target has potential to host high-grade structural gold mineralization along the margins of the dome feeder zones and is supported by sampling at the North Breccia Target which returned: 10m @ 3.34 g/t Au and 5m @ 4.04 g/t Au.

Central Target area

The Central Target has undergone small-scale open pit and focused underground mining. Historical underground rock-chip channel sampling by Cambior (1995) in this area returned: 14m @ 2.44 g/t Au. Riverside surface channel sampling on the Central Target returned 3.5m @ 2.7 g/t Au and 11m @ 0.84 g/t Au. Geochemistry sampling by Riverside where prior work largely did not assay for trace elements shows elevated values in Te, As, F, Pb and Mo

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which is typical within highly magmatically evolved rhyolite domes. This geochemistry is similar to mining camps in Fresnillo, Zacatecas, and Guanajuato in the Mesa Central and Sierra Madre Occidental dome fields.

Old workings on the northern slopes of Cerro Magallanes from the 1950-60s chased near surface high-grade structures but did not explore at depth. These old workings drifted-in along several different orientations near one another suggesting possible bulk tonnage targeting scenarios may exist. Riverside will be working to assess this scenario following the positive results of the rock channel sampling.

East Target area

The East Target comprises high-grade, fault-controlled, Ag-rich veins along the margin of the Puma Dome located east of Cerro Magallanes dome. Gold in chip channel samples by Riverside along the trace of a portion of the fault structures returned 11.5m @ 1.57 g/t Au. Grab samples from dump material in this area returned silver values of up to 200 g/t Ag.

The East Target is 200 m lower in elevation than Cerro Magallanes peak and might be showing vertical zoning from gold high on Cerro Magallanes to silver lower down closer to the underlying Cretaceous sedimentary rocks. Follow-up fieldwork will test this hypothesis during 2019.

On November 15, 2018 the company received new exploration results from the rock sampling and mapping was conducted on the Cecilia 1 claim which surrounds the Cerro Magallanes reported on in October. This work by Riverside has been at the Cecilia 1 claim which covers a large area (~50km²) of favorable geology that is bisected by several large regional structures that have been found to host gold mineralization.

Over the last months of 2018 Riverside completed a reconnaissance soil sample survey over the northeastern portion of the Cecilia 1 claim and followed this up with a sampling and mapping survey that included a Terraspec assisted alteration survey, Innovex geochemical testing, and assaying of selected areas. The soil sampling survey documented several, large linear anomalies that have now been field checked with initial sampling and mapping work. The most recent work has focused on four (4) new areas in addition to the main Cerro Magallanes target area therefore expanding the overall value of the Cecilia Project.

Casa de Piedra target:

The Casa de Piedra target is east of Cerro Magallanes on the recently added Riverside concession, Cecilia 1. The target zone comprises a 2 km long shear fault vein with abundant epithermal mineralization and textures. Casa de Piedra has not seen any exploration making it a high-profile drill target. This target was first identified through soil geochemistry in June 2018 where anomalous Pb, Cu, Te and Hg were noted. In the field the Casa de Piedra target is defined by a 30 m wide N-NE trending structural corridor of altered Cretaceous clastic sedimentary bedrock. Within the main mineralized structure, widespread sericitic, silica and kaolinitic alteration is common including buddingtonite alteration; buddingtonite being a clay often found in proximity to precious metal veins. The structural zone is infilled with quartz veining, quartz veinlets and stockwork and in some areas banded quartz, vuggy quartz and grey calcite. Textures in outcrop are dominated by intact-banded veins and silicified zones and only minor vein breccias. Transport of the clasts appears to be rotated but with minor displacement; anastomosing breccia veins are common in outcrop. Later carbonates are noted, and some carbonate appears to be leached from the matrix surrounding the quartz, leaving a stringy, net texture with residue of the Mn-oxides and crustiform quartz. This mineralized structure is cross-cut by northwest-trending rhyolitic dikes that do not appear to influence mineralization. Rock sampling (24) in this area returned one sample that assayed 0.9 g/t Au and also included other elements typical of the upper parts of hydrothermal veins. This shear vein is not unique, a second large vein system, Los Llanos described below.

Los Llanos target:

The Los Llanos target is located east of the Casa de Piedra vein shear structure east of the Cerro Magallanes peak. The Los Llanos target was first defined by reconnaissance and soil geochemistry where anomalous Pb, Cu and Zn were noted. In the field the Los Llanos target is defined by a 20-30 m wide structural corridor of altered sandstone

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presently mapped as being 1 km in strike length and trending northeast. Gold mineralization is found in narrow anastomosing veins sometimes as stockwork but primarily as a silicified zone marked by reddish-brown iron oxides. This corridor also hosts rhyolite dikes which are sometimes parallel to the mineralized zone but also cut the zone. To the best of our understanding no exploration work has been done in this area thus making it a newly discovered vein zone. Some evidence of placer mining was noted in the area suggesting gold may have come from this vein; further exploration work is warranted on the Llanos target.

Cruz Target:

The Cruz target lies within a large structural corridor northeast of Cerro Magallanes within horst and graben structural terrain. This large northwest trending regional structure extends tens of kilometers and comes across the northeast portion of the Project, is visible on satellite images, and forms a major structural topographic feature in northeastern Sonora. At the outcrop level, mineralization is noted in veins and stockwork alteration zones of up to 100 meters wide. These zones comprise anastomosing quartz veins with breccia that generally strike N-NE (020) and dip vertical to steeply to the west. Within this 100 m wide zone stockwork show syntaxial and drizzly textures. Gold mineralization is associated with pervasive, widespread sericitic and silica alteration; sulphides are rare but noted in this area. Where these veins cut conglomerate bedrock wide areas of silicified material is noted, two out of seven samples taken from this area returned gold grades of 1.6 g/t and 2.3 g/t Au. These veins continue through the conglomerate into the adjacent granitic bedrock. Geochemistry in this area shows high Pb, Zn and Cu indicating mineralization in the northern portion of the concession may be lower down in a epithermal system.

Cruz II Target:

The Cruz II Target is located in the eastern portion of the Cecilia 1 concession. This target is also a structural corridor of silicification and veining currently mapped at about 2 km in strike length. The structure/vein strikes N-NE (020-030) and cuts through several sedimentary geological units varying in width from several meters to 20 m. Mineralized areas include anastomosing, stockwork or parallel veins with breccias; breccia is sometimes rounded but often angular. Terraspec analysis of altered rock shows pervasive silica and sericite alteration with illite in some areas. In hand sample the alteration is dominated by silicification and Fe-oxides. Individual veinlets are up to 30 cm wide with 3 to 5 parallel veins within a larger 20 m corridor. Stockwork veining, where present, is typically orthogonal and made more obvious by the hematization of rare pyrite, sphalerite and galena. Two of eleven samples from Riverside's first pass of this area returned gold values of 0.5 g/t Au. Rock geochemistry also shows elements typical of a low-sulphidation epithermal system.

Riverside has taken the property forward significantly with both the main central area and a portion of the 50 km sq surrounding area.

Peñoles Project, Durango, Mexico

The Peñoles Project, 100% owned by the Company, comprises a large land package of approximately 6,862 hectares located in north-central Durango State within the globally important Central Mexico Silver Belt. Peñoles is an advanced project having been partially delineated for gold and silver mineralization with 86 drill-holes (approx. 11,500 metres total). These drill-holes have been used to define a NI43-101-compliant Inferred Resources for the Capitan gold deposit and the nearby Jesus Maria silver deposit. The reader is referred to the Company's website and SEDAR filings for detailed information on the resource estimates and on the various exploration programs that have been completed on the Project.

During the last quarter of 2018 Company geologists re-examined the exploration potential for the Gully Fault, open pit targets, and satellite target areas. New soil survey and other work is on-going. A majority of the past drill-holes that tested the Jesus Maria silver deposit are now reinterpreted building upon the re-logged and updated analysis that was made of existing drill core geochemical data which resulted in an improved understanding of the types of silver mineralization found at Jesus Maria. More importantly, the re-examination of the Jesus Maria database now gives the Company a better idea of where the best potential lies to increase the Project's silver resource.

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Penoles project for final quarter of the calendar year and first quarter of the Company financial year had work in the field and computer on the geophysics which will be used further in 2019.

Tajitos Gold Project, Sonora, Mexico

Located in north-western Sonora State, Mexico, the Tajitos Gold Project consists of two concession block areas. The core Tajitos claim group and the easterly lying El Tejo group of concessions make up the Project. The Project is strategically situated in the *Caborca Orogenic Gold Province* which includes the major gold mines at La Herradura, Noche Buena, Chinate and San Francisco Mines among other producers. The core claim at Tajitos covers a number of northwesterly striking gold-bearing quartz veins and shear faults that were exploited by small underground mines, now abandoned but still accessible and in Q1 of FY2019 for Riverside the team did field work on the structural control of gold mineralization. Adjacent to the east the Mexican gold producer Fresnillo plc is advancing its Tajitos gold project where a 300,000-ounce gold deposit has been reported to exist and higher resource estimates have been provided in the past.

Riverside completed drilling with partners in the past and for this current quarter has recently completed gold values modeling, surface access negotiations, legal progress on titles and extensive data review building up on the MS thesis and work completed during 2018.

The gold mineralization intersected earlier drill-holes generally occurs in fault zones and along lithologic contacts. Due to the wide spacing of the drill-holes a reliable definition of the strike and dip orientations of the mineralized zones could not be determined. Further drilling is required to better determine the extent and tenor of gold mineralization on the Tajitos property. For 2019 this further work could become a goal for the Company.

In addition to the eight boreholes drilled by Centerra on the Tajitos claim group, a program of reverse circulation drilling on the El Tejo claim group was also completed with partners. Twelve RC holes, totaling 1,728 meters, were drilled at Tejo to probe the bedrock lying beneath an extensive and thick cover of alluvial gravels. This work sets the project on a good position going forward to progress and build upon the geology and geochemistry developed previously.

La Silla Gold-Silver Project

In the last few months, the project has been advanced with data analysis, technical evaluations, satellite and geophysical analysis. For 2019 Riverside expects source financing. In recent months the Company has continued advance the project under the terms of the option agreement. During Q1 of the FY2019 study of the four concessions in the Ollitas gold and silver mining district in southern Sinaloa, Mexico was continued. Two adjoining concessions totaling 1,031.5 hectares were worked by Riverside. Another two concessions totaling 1,039.3 hectares were also worked. Veins on both blocks will be progressed in the new year.

At the Ciruela and El Roble prospects rock-chip samples have delivered high grade metals and work in the field continues at these target areas.

The Company recently completed a two-week reconnaissance mapping and sampling program focus on target generation. This work extended the two known veins along strike and was able to identify significant complementary, parallel, veins at both El Roble and Ciruela. At Ciruela a parallel, east-west striking vein suggests normal faulting has occurred to the north providing new targets in this area. In the El Roble area property scale structures show east-west strikes but also north-south and northeast. Higher grade gold was found in surface sampling where these structures intersect suggesting multiple new targets could be generated through detailed mapping. Riverside geologists collected 52 chip, channel and grab samples with assay results ranging from <0.05 up to 19.9 g/t gold and from <0.05 up to 200 g/t silver. Five of the samples returned greater than 1 g/t gold as discussed in the Company press release dated June 19th, 2018.

In May 2018, the Company entered into a letter of intent (“LOI”) 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

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\$1,000,000 in common shares, and incurring exploration expenditures of \$2,000,000 over three-year period. To earn an additional 30%, Sinaloa must incur a further exploration expenditure of \$1,000,000 and issue \$500,000 in common shares. 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%.

Thor Copper Project, Sonora, Mexico

Riverside controls 100% interest in the Thor Copper Project in central Sonora, Mexico. The Thor project is located in south-central Sonora, Mexico heartland of the copper trend of northern Mexico and covers a geological setting that is prospective for a large porphyry copper deposit of the same geologic age as the other major copper deposits being mined in Sonora, including at Cananea and La Caridad. Riverside during the Q1 FY 2019 completed additional technical work on the property and combined historic data with Riverside's own new interpretations toward defining high quality Laramide-age porphyry system target.

The scientific and technical data contained in the property descriptions pertaining to the Company's Mexico portfolio were reviewed by Freeman Smith, P.Geo. who is responsible for ensuring that the geologic information provided in this section of the Management Discussion and Analysis is accurate and acts as a "qualified person" under National Instrument 43-101 Standards of Disclosure for Mineral Project.

SELECTED ANNUAL INFORMATION

The following table sets forth selected consolidated information of the Company at September 30, 2018 and for each of the prior two fiscal years prepared in accordance with IFRS. The selected consolidated financial information should be read in conjunction with the audited consolidated financial statements of the Company.

Canadian Dollars	2018	2017	2016
Finance, property and other income	\$ 176,702	\$ 90,770	\$ 20,529
Net income (loss)	(1,462,695)	(684,191)	762,558
Net earnings (loss) per share, basic and fully diluted	(0.03)	(0.02)	0.02
Cash and cash equivalent and short-term investments	2,868,824	5,024,291	5,061,198
Total assets	8,869,608	10,069,859	7,952,816

REVIEW OF OPERATIONS AND FINANCIAL RESULTS

Three-month period ended December 31, 2018

For the three months ended December 31, 2018, the Company had a net income of \$151,640, resulting in an income per share of \$0.00. The increase in net income was primarily due to the gain on finance income of \$3,523, other income of \$325,000, foreign exchange gains \$82,892 and gain on debt settlement of \$21,851, which were offset by operating expenses of \$221,813 and an unrealized loss on short-term investment of \$59,813.

Three-month period ended December 31, 2017

For the three months ended December 31, 2017, the Company had a net loss of \$149,098, resulting in a loss per share of \$0.00. The gain was related to finance income of \$6,214, other income of \$7,590, an unrealized gain on short-term investments of \$56,913, and recovery on exploration and evaluation assets of \$124,802, which were offset by operating expenses of \$286,223 and a foreign exchange loss of \$58,394.

*Marketable securities included in short-term investments consist of shares received as property option payments from the Company's farm-out partners. The realized gain or loss on short-term investments changed significantly when compared to the prior years due to the volatile market conditions.

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Exploration

The Company capitalizes all exploration costs relating to its resource interests whereas pre-exploration costs are expensed as incurred. During the three months ended December 31, 2018, the Company recorded \$355,597 in acquisition and exploration of its properties as follows:

- Mexico
 - Peñoles \$ 95,516
 - Tajitos \$ 38,425
 - La Silla \$ 39,061
 - Australia \$ 6,981
 - Thor \$ 1,441
 - Ariel \$ 5,735
 - Cecilia \$ 144,972
 - Teco \$ 222
 - Suaqui Verde \$ 23,244

The Company recovered \$68,963 of the acquisition and exploration expenditures on Penoles property during the three months ended December 31, 2018, which reduced the cumulative exploration costs.

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

The Company acquired a 100% interest in Suaqui Verde Property on December 18, 2018.

The Company capitalizes all exploration costs relating to its resource interests whereas pre-exploration costs are expensed as incurred. During the three months ended December 31, 2017, the Company recorded \$299,923 in acquisition and exploration of its properties as follows:

- Mexico
 - Peñoles \$ 136,870
 - Tajitos \$ 35,911
 - Clemente \$ 548
 - La Silla \$ 47,880
 - Glor \$ 56,048
 - Bacoachi \$ 22,666

The Company recovered \$114,430 of the acquisition and exploration expenditures through an option agreement with Silver Viper on the Clemente property and through an option agreement with Golden Minerals on Peñoles property during the three months ended December 31, 2017, which reduced the cumulative exploration costs.

Full particulars of the deferred exploration costs are shown in Note 9 to the Condensed Interim Consolidate Financial Statements.

Recoveries and Other Income

During the three months ended December 31, 2018, the Company received \$68,963 in cash with respect to the refunds on land taxes on Peñoles property. Finance income and other income for the three months ended December 31, 2018 were \$3,523 and \$325,000 respectively. On December 18, 2018, the Company received 1,500,000 shares from Croesus Gold Corp. at the fair market value of \$325,000 as per option agreement.

During the three months ended December 31, 2017, the Company received \$114,430 in cash with respect to the option agreement on the Clemente and Peñoles property. Finance income and other income for the three months ended December 31, 2017 were \$6,214 and \$7,590 respectively.

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Other income consists of revenue from receiving option payment by common shares, exploration equipment and vehicle rentals to the alliance and work programs.

Expenses

During the three months ended December 31, 2018, the Company incurred \$3,714 in depreciation, \$75,627 in consulting fees, \$12,000 in directors' fees, \$52,216 in investor relations fees, \$24,235 in professional fees, \$9,067 in share-based compensation, and \$25,606 in general and administrative expenses. In addition, the Company incurred \$19,348 in rent. The Company earned \$3,523 in finance income, \$325,000 in other income, and \$21,851 gain on debt settlement, offset by \$59,813 in unrealized loss on sale of short-term investments.

During the three months ended December 31, 2017, the Company incurred \$5,824 in depreciation, \$60,283 in consulting fees, \$12,000 in directors' fees, \$50,942 in investor relations fees, \$26,197 in professional fees, \$29,578 in property investigation and evaluation expenses, \$35,620 in share-based compensation, \$24,154 in general and administrative expenses. In addition, the Company incurred \$41,625 in rent. The Company earned \$6,214 in finance income, \$7,590 in other income, and \$56,913 in an unrealized gain on short-term investments, and \$124,802 in recovery on exploration and evaluation assets.

Compared to the previous year, increases in net income was primarily due to an increase in other income by \$325,000 by received 1,500,000 common shares from Croesus Gold Corp, a gain on debt settlement by \$21,851, an increase in foreign exchange by \$141,286, a decrease in rent by 22,277 and a decrease in share-based payment by \$26,553, partially offset by an increase in consulting fees by \$15,344 and an increase in unrealized loss on sale of short-term investment by \$116,726. There were no significant variations in other operating expenses over the comparative years.

General and administrative expenses consist of filing fees, director's fees, rent, general office expenses and administrative services related to maintaining the Company's exchange listing and complying with securities regulations. Rent and general office expenses decreased compared to the same period in the prior year as the Company spent less funds on promotional and marketing activities, financial advisory and investor relations services and the Company entered into a new contract of rental agreement of Canadian office, resulting in reduced costs in rent.

Share-based payments decreased as a result of less share option grants. During the three months ended December 31, 2018, the Company recorded share-based payments of \$9,067 (2017 - \$35,620) for the vested portion of the options granted and during the period. Share-based payments expense recorded in the comparative period of the previous fiscal year was higher as there were more options granted during that period.

RISKS AND UNCERTAINTIES

In conducting its business, the Company faces a number of risks and uncertainties related to the mineral exploration industry. Some of these risk factors include risks associated with land titles, exploration and development, government and environmental regulations, permits and licenses, competition, dependence on key personnel, fluctuating mineral and metal prices, the requirement and ability to raise additional capital through future financings and price volatility of publicly traded securities.

Property Risks

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 conveyance history 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 Canada, Mexico and the United States.

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Title Risks

Although the Company has exercised due diligence with respect to determining title to the properties in which it has a material interest, there is no guarantee that title to such properties will not be challenged or impugned. Third parties may have valid claims underlying portions of the Company's interests, and the permits or tenures may be subject to prior unregistered agreements or transfers or native land claims and title may be affected by undetected defects. If a title defect exists, it is possible that the Company may lose all or part of its interest in the properties to which such defects relate.

Exploration and Development

Resource exploration and development is a highly speculative business, characterized by a number of significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but also from finding mineral deposits that, though present, are insufficient in quantity and quality to return a profit from production. Substantial expenses are required to establish reserves by drilling, sampling and other techniques and to design and construct mining and processing facilities. Whether a mineral deposit will be commercially viable depends on a number of factors, including the particular attributes of the deposit (i.e. size, grade, access and proximity to infrastructure), financing costs, the cyclical nature of commodity prices and government regulations (including those relating to prices, taxes, currency controls, royalties, land tenure, land use, importing and exporting of minerals, and environmental protection). The effect of these factors or a combination thereof cannot be accurately predicted but could have an adverse impact on the Company.

Environmental Regulations Permits and Licenses

The Company's operations may be subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas that would result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner that means standards are stricter, and enforcement, fines and penalties for noncompliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. We intend to comply fully with all environmental regulations.

The current or future operations of the Company, including development activities and commencement of production on our properties, require permits from various federal, state or territorial and local governmental authorities, and such operations are and will be governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. Such operations and exploration activities are also subject to substantial regulation under applicable laws by governmental agencies that may require that we obtain permits from various governmental agencies. There can be no assurance, however, that all permits that the Company may require for the operations and exploration activities will be obtainable on reasonable terms or on a timely basis or that such laws and regulations will not have an adverse effect on any mining project which the Company might undertake.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations and, in particular, environmental laws.

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Competition

The mining industry is intensely competitive in all its phases, and the Company competes with other companies that have greater financial and technical resources. Competition could adversely affect the Company's ability to acquire suitable properties or prospects in the future.

Dependence on Key Personnel

The success of the Company is currently largely dependent on the performance of the directors and officers. There is no assurance that the Company will be able to maintain the services of the directors and officers or other qualified personnel required to operate its business. The loss of the services of these persons could have a material adverse effect on the Company and the prospects.

Fluctuating Mineral and Metal Prices

Factors beyond our control may affect the marketability of metals discovered, if any. Metal prices have fluctuated widely, particularly in recent years. The effect of these factors on the exploration activities cannot be predicted. For example, gold prices are affected by numerous factors beyond the Company's control, including central bank sales, producer hedging activities, the relative exchange rate of the U.S. dollar with other major currencies, global and regional demand and political and economic conditions. Worldwide gold production levels also affect gold prices. In addition, the price of gold has on occasion been subject to rapid short-term changes due to speculative activities.

Future Financings

The Company's continued operation will be dependent upon the ability to generate operating revenues and to procure additional financing. There can be no assurance that any such revenues can be generated or that other financing can be obtained on acceptable terms. Failure to obtain additional financing on a timely basis may cause the Company to postpone development plans, forfeit rights in some or all of the properties or joint ventures, or reduce or terminate some or all of the operations.

Price Volatility of Publicly Traded Securities

In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price that have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. It may be anticipated that any quoted market for the Common Shares will be subject to market trends and conditions generally, notwithstanding any potential success of the Corporation in creating revenues, cash flows or earnings. The value of securities distributed hereunder will be affected by market volatility.

SUMMARY OF QUARTERLY RESULTS

The following table sets forth selected quarterly consolidated financial information for each of the last eight quarters with the figures for each quarter in Canadian dollars.

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Quarter end	Finance income	Property and other income	Unrealized gain/(loss) on short-term investments	Net income (loss)	Earnings (Loss) per share (basic & fully diluted)
31-Dec-18	3,523	325,000	(59,813)	151,640	0.00
30-Sep-18	5,249	125,753	(345,308)	(710,776)	(0.02)
30-Jun-18	6,295	9,437	(178,171)	(341,242)	(0.01)
31-Mar-18	7,573	8,591	81	(261,579)	(0.00)
31-Dec-17	6,214	7,590	56,913	(149,098)	(0.00)
30-Sep-17	3,925	13,023	37,039	193,667	0.00
30-Jun-17	343	19,029	59,655	(336,878)	(0.01)
31-Mar-17	2,373	13,027	52,827	(367,946)	(0.00)

During the three months ended December 31, 2018, the net income was primarily due to the Company received 1,500,000 shares of Croesus, for the fair market value of \$325,000, as per the terms of the Sugarloaf Peak option agreement and amending agreement that the Company entered into in December 2014 and 2015, respectively. Croesus issued 1,500,000 common shares to the Company because Croesus did not complete a public listing within 36 months of the amendment date.

During the year ended September 30, 2018, the Company sold all 242,350 common shares of Viridium Pacific Group Ltd. (formerly Morro Bay Resources Ltd.) for net proceeds \$242,750. The increase in net loss was mainly due to a \$520,281 realized loss on sale of short-term investments offset by a \$466,485 unrealized gain on short-term investments.

Other than the ongoing costs of the business, the net income for the quarter ended September 30, 2017 was mainly due to a realized gain on short-term investments.

LIQUIDITY AND CAPITAL RESOURCES

The Company relies on equity financings and exploration alliances for its working capital requirements and to fund its planned exploration and development activities. Management ensures the Company has sufficient cash in its treasury to maintain underlying option payments and keep claims in good standing. Decrease in cash and cash equivalents for the three months ended December 31, 2018 was \$446,824. Working capital as at December 31, 2018 was \$3,213,783. The Company has sufficient funds to meet ongoing corporate activities and planned exploration programs for the ensuing year.

Increase in cash and cash equivalents for the three months ended December 31, 2017 was \$390,742. Working capital as at December 31, 2017 was \$5,007,495.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no undisclosed off-balance sheet arrangements or off-balance sheet financing structures in place.

TRANSACTIONS WITH RELATED PARTIES

Related party transactions are in the normal course of operations and are recorded at their exchange amount which is the price agreed to between the Company and the directors and officers.

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The Company entered into the following transactions with related parties:

Payee	Nature of transactions	Period ending December 31	Fees (\$)	Shares (\$)	Amount payable at period end (\$)
Arriva Management Inc.	Management and consulting fees (i)	2018	58,200	Nil	\$7,393
		2017	50,370	Nil	20,370
GSBC Financial Management Inc.	Management and consulting fees (i)	2018	24,000	Nil	Nil
		2017	24,000	Nil	Nil
Ronald Burk	Consulting fees (i)	2018	Nil	Nil	Nil
		2017	29,204	Nil	Nil
English Bay Capital	Consulting fees (i)	2018	3,750	Nil	\$1,313
		2017	11,500	Nil	Nil
Omni Resource Consulting Ltd.	Consulting fees (i)	2018	32,500	Nil	Nil
		2017	Nil	Nil	Nil
Brian Groves	Director fees	2018	3,000	Nil	Nil
		2017	3,000	Nil	Nil
James Clare	Director fees	2018	3,000	Nil	Nil
		2017	3,000	Nil	Nil
Carol Ellis	Director fees	2018	3,000	Nil	Nil
		2017	3,000	Nil	Nil
Walter Henry	Director fees	2018	3,000	Nil	Nil
		2017	3,000	Nil	Nil

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers. The remuneration of directors and key management personnel during the three months ended December 31, 2018 and 2017 are as follows:

	2018	2017
Directors' fees	\$ 12,000	\$ 12,000
Management and consulting fees (i)	118,450	120,574
Performance bonus shares	-	63,000
Share-based payments	<u>7,275</u>	<u>212,593</u>
	\$ 137,725	\$ 408,167

(i) Management and consulting fees of the key management personnel for the period were allocated as follows: \$27,000 (2017 - \$32,500) expensed to consulting fees, \$3,750 (2017 - \$11,500) expensed to investor relations, \$87,700 (2017 - \$76,574) capitalized to exploration and evaluation assets.

PROPOSED TRANSACTIONS

At the present time, there are no proposed transactions that should be disclosed.

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CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company's accounting policies are described in Note 4 to the consolidated financial statements for the year ended September 30, 2018. Management considers the following to be the most critical in understanding the judgments that are involved in preparing the Company's financial statements and the uncertainties that could impact its results of operations, financial condition and future cash flow.

New and revised standards and interpretations

The accounting policies applied in the preparation of these consolidated financial statements are consistent with those applied and disclosed in the Company's audited financial statements for the year ended September 30, 2018, except for the adoption, on October 1, 2018, the Company adopted all of the requirements of IFRS 9, *Financial Instruments: Classification and Measurement* ("IFRS 9"), which has an initial application as at this date.

IFRS 9, *Financial Instruments* (new; replaces IAS 39)

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

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

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

IFRS 15, Revenue Recognition

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 any significant impact on the Company's interim financial statement.

New standards and interpretations not yet adopted

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for future accounting periods. The following have not yet been adopted by the Company and are being evaluated to determine their impact.

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IFRIC 23, Uncertainty over Income Tax Treatments

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 interpretation is effective for annual periods beginning on January 1, 2019. The Company is currently assessing the impact of IFRIC 23 on its consolidated statements.

IFRS 16, Leases

New standard to establish principles for recognition, measurement, presentation and disclosure of leases with an impact on lessee accounting, effective for annual periods beginning on or after January 1, 2019. The Company is currently assessing the impact of IFRS 16 on its consolidated statements.

The Company does not expect a significant impact from the adoption of the above standard.

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 December 31, 2018, the Company had cash and cash equivalents of 1,613,254 to settle current liabilities of \$91,544. 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 December 31, 2018, the Company had investments in short-term deposit certificates of \$1,046,149.

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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. There can be no assurance that the Company can exit these positions if required, resulting in proceeds approximating the carrying value of these securities.

Foreign currency risk

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

Sensitivity analysis

The Company operates in Mexico and is exposed to risk from changes in the US dollar and the Mexican peso. A simultaneous 10% fluctuation in the US dollar and Mexican peso against the Canadian dollar would affect loss for the year by \$117,582.

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 \$67,480.

OUTSTANDING SHARE DATA

The authorized capital of the Company consists of an unlimited number of common shares and an unlimited number of preferred shares. No preferred shares have been issued to date. An aggregate of 45,174,313 common shares were issued and outstanding as of the date of this MD&A.

The Company has 3,204,767 share purchase warrants outstanding as of the date of this MD&A.

The following summarizes information about the stock options outstanding as of the date of this MD&A:

Expiry date (mm/dd/yyyy)	Number of options outstanding	Weighted average remaining life in years	Exercise price	Number of options exercisable
11/14/2019	723,000	0.71	\$ 0.27	723,000
01/07/2021	707,500	1.86	\$ 0.15	707,500
12/16/2021	935,000	2.80	\$ 0.42	935,000
11/03/2022	695,000	3.68	\$ 0.28	695,000
01/08/2024	785,000	4.86	\$ 0.17	-
	3,845,000	2.81		3,060,500

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SUBSEQUENT EVENTS

On January 8, 2019, the Company granted 785,000 incentive stock 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. There were also 265,000 bonus shares issued at a fair value of \$47,700 to certain executive officers and consultants on the same date.

On January 25, 2019, the Company received \$35,000 option payment; subsequently, on February 20, 2019, the Company received 1,000,000 common shares from Sinaloa Resources Corp. in accordance with the letter agreements for the La Silla Property.

On January 31, 2019, the Company paid \$75,000 in cash and issued 300,000 common shares with a fair market value \$51,000 to Gunpoint in accordance with the letter agreements for the Cecilia Property.