RIVERSIDE RESOURCES INC.

(An Exploration Stage Enterprise)

(Expressed in Canadian Dollars)

Consolidated Financial Statements

September 30, 2016 and 2015

Index

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Riverside Resources Inc.

We have audited the accompanying consolidated financial statements of Riverside Resources Inc., which comprise the consolidated statements of financial position as at September 30, 2016 and 2015 and the consolidated statements of operations and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Riverside Resources Inc., as at September 30, 2016 and 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada — Chartered Professional Accountants

January 24, 2017

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

	Note	2016	2015
Assets			
Current assets:			
Cash		$ 1,997,081	$ 1,781,941
Short-term investments	5	3,064,117	2,477,289
Receivables	6	245,409	195,253
Prepaid expenses	7	54,853	62,208
		5,361,460	4,516,691
Deposits and other assets	8	25,525	67,616
Equipment	9	71,109	108,717
Exploration bonds	10(e)	-	65,492
Exploration and evaluation assets	10	2,494,722	2,658,240
		$ 7,952,816	$ 7,416,756
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable and accrued liabilities	11	$ 1,046,343	$ 445,927
Shareholders' equity:			
Capital stock	12	20,980,091	20,916,978
Reserves	12	2,780,005	2,712,413
Deficit		(15,770,270)	(16,532,828)
Accumulated other comprehensive loss		(1,083,353)	(125,734)
		6,906,473	6,970,829
		$ 7,952,816	$ 7,416,756

Nature and continuance of operations (Note 1)
Commitment (Note 19)
Subsequent events (Note 20)

On behalf of the Board:

"Brian Groves" Director *"Carol Ellis"* Director

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

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

	Note	2016	2015
Expenses			
Consulting fees	14	$ 238,799	$ 232,530
Depreciation	9	26,531	41,548
Directors' fees	14	48,750	48,000
Filing fees		31,052	26,526
Foreign exchange (gain) loss		86,597	(81,045)
Investor relations	14	178,863	114,963
Office expenses		59,099	93,183
Payroll and benefits		2,852	2,206
Professional fees		115,108	118,728
Property investigation and evaluation	14	50,228	108,951
Rent		172,236	215,914
Share-based payments	12	72,445	124,324
Travel and meals		32,683	29,617
Finance income		(20,204)	(55,446)
Other income		(325)	(5,488)
Realized and unrealized (gain) loss on short-term investments	5	(591,409)	1,006,544
Write-down of exploration and evaluation assets	10	-	479,062
Results from operations		(503,305)	(2,500,117)
Recovery on exploration and evaluation assets	10(b)(g)	1,265,863	-
Write-down of other receivables		-	(11,635)
Write-down of loan receivable		-	(150,000)
Write-down of short-term investments	5	-	(200,000)
		1,265,863	(361,635)
Net income (loss) for the year		762,558	(2,861,752)
Foreign exchange movements		(957,619)	(330,906)
Comprehensive loss for the year		(195,061)	(3,192,658)
Earnings (Loss) per share – basic and diluted		$ 0.02	$ (0.08)
Weighted average number of common shares outstanding – basic and diluted		37,327,477	37,049,367

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

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

	Note	2016	2015
OPERATING ACTIVITIES			
Net income (loss) for the year		$ 762,558	$ (2,861,752)
Items not involving cash			
Depreciation	9	26,531	41,548
Performance bonus shares	16(a)	11,344	-
Realized loss on sale of equipment		-	9,908
Share-based payments	12	72,445	124,324
Unrealized loss (gain) on short-term investments		(591,409)	1,006,544
Write-down of exploration and evaluation assets	10	-	479,062
Write-down of other receivables		-	11,635
Write-down of loan receivable		-	150,000
Write-down (recovery) of short-term investments		-	200,000
Change in non-cash working capital items:			
Prepaid expenses		7,355	13,724
Receivables		(50,156)	(125,646)
Accounts payable and accrued liabilities		20,882	(359,459)
		259,550	(1,310,112)
INVESTING ACTIVITIES			
Proceeds from sale of equipment	9	-	10,538
Exploration advances – accounts payable and accrued liabilities		612,418	-
Deposits and other assets		42,091	(7,130)
Exploration and evaluation assets		(738,902)	(400,207)
Short-term investments		203,500	182,889
Exploration bonds, net of recoveries		65,492	-
		184,599	(213,910)
FINANCING ACTIVITIES			
Capital stock, net of issuance costs	12(b)	10,260	-
		10,260	-
Effect of foreign exchange on cash		(239,269)	(54,926)
Increase (decrease) in cash		215,140	(1,578,948)
Cash, beginning of the year		1,781,941	3,360,889
Cash, end of the year		$ 1,997,081	$ 1,781,941

Supplemental disclosures with respect to cash flows (Note 16)
The accompanying notes are an integral part of these consolidated financial statements.

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

		Capital Stock					Accumulated other comprehensive	
	Note	Shares	Amount	Commitment to issue shares	Reserves	Deficit	income (loss)	Total
Balance at September 30, 2014		37,011,778	$ 20,902,978	$ 14,000	$ 2,588,089	$ (13,671,076)	$ 205,172	$ 10,039,163
Issued for:								
Performance bonus shares	12	40,000	14,000	(14,000)	-	-	-	-
Share-based payments	12	-	-	-	124,324	-	-	124,324
Loss for the year		-	-	-	-	(2,861,752)	-	(2,861,752)
Foreign exchange movements		-	-	-	-	-	(330,906)	(330,906)
Balance at September 30, 2015		37,051,778	20,916,978	-	2,712,413	(16,532,828)	(125,734)	$ 6,970,829
Issued for:								
Performance bonus shares	12	320,000	48,000	-	-	-	-	48,000
Stock option exercise	12	38,000	15,113		(4,853)	-	-	10,260
Share-based payments	12	-	-	-	72,445	-	-	72,445
Income for the year		-	-	-	-	762,558	-	762,558
Foreign exchange movements		-	-	-	-	-	(957,619)	(957,619)
Balance at September 30, 2016		37,409,778	$ 20,980,091	$ -	$ 2,780,005	$ (15,770,270)	$ (1,083,353)	$ 6,906,473

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

1. Nature and continuance of operations

Riverside Resources Inc. (the "Company") is a mineral exploration and evaluation company operating as a prospect generator listed on the TSX Venture Exchange 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 1110 – 1111 West Georgia Street, Vancouver, British Columbia, Canada V6E 4M3. 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, the successful acquisition of an interest in 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.

These consolidated financial statements are authorized for issue by the Board of Directors on January 24, 2017.

2. Basis of presentation

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

3. Statement of compliance

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

4. Significant accounting policies

(a) Principles of consolidation

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

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

4. Significant accounting policies (cont'd…)

(b) Foreign currency translation

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

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

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

(c) Short-term investments

Short-term investments include: (i) Canadian guaranteed investment certificates that have maturities within twelve months from the statement of financial position date, and are readily convertible into known amounts of cash with minimal risk of fluctuation in fair value; and (ii) held-for-trading marketable securities in publicly traded companies.

(d) Equipment

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

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

In the year of acquisition, depreciation is recorded at one-half the normal rate.

(e) Exploration and evaluation assets

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

4. Significant accounting policies (cont'd…)

(e) Exploration and evaluation assets (cont'd…)

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

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

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

(f) Provision for environmental rehabilitation

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

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

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

(g) Impairment of long-lived assets

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

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

4. Significant accounting policies (cont'd…)

(h) Loss per share

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

(i) Critical accounting estimates, judgments, and assumptions

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

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

Exploration and evaluation assets

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

Share-based payments

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

4. Significant accounting policies (cont'd…)

(i) Critical accounting estimates, judgments, and assumptions (cont'd…)

Critical accounting judgments

- the measurement of income taxes payable and deferred tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. Deferred tax assets require management to assess the likelihood that the Company will generate taxable income in future periods in order to utilize recognized deferred tax assets;
- going concern presentation of the consolidated financial statements as discussed in Note 1, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due; and
- management's determination of the functional currency of the Company and each of its subsidiaries requires judgment based on the factors outline in IAS21, The Effects of Changes in Foreign Exchange Rates.

(j) Income taxes

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

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

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

(k) Financial instruments

Financial assets

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

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

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

4. Significant accounting policies (cont'd…)

(k) Financial Instruments (cont'd…)

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the profit or loss.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in accumulated other comprehensive (income) loss. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the profit or loss.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

Financial liabilities

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

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

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

The Company has classified its cash and short-term investments as fair value through profit and loss. The Company's receivables, and exploration bonds are classified as loans and receivables. The Company's accounts payable and accrued liabilities are classified as other financial liabilities. Refer to Note 18 for additional details.

(l) Share-based payments

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

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

4. Significant accounting policies (cont'd…)

(l) Share-based payments (cont'd…)

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

(m) Capital stock

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

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

(n) Management fees

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

(o) Reclassifications

Certain figures for the prior year have been reclassified to conform to the current year's presentation.

New standards adopted during the year

Effective October 1, 2015, the following standard was adopted but did not have a material impact on the financial statements.

- IFRS 7: Amended to require additional disclosures on transition from IAS 39 and IFRS 9.

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.

- IFRS 9: New standard that replaced IAS 39 for classification and measurement, tentatively effective for annual periods beginning on or after January 1, 2018.

- 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.

(Expressed in Canadian Dollars)

5. Short-term investments

Short-term investments include Canadian Guaranteed Investment Certificates and marketable securities received as a result of property option agreements (Note 10). As of September 30, 2016 and 2015, the fair values of the short-term investments are as follows:

		September 30, 2016		September 30, 2015
Guaranteed investment certificates	$	1,693,633	$	1,897,132
Fair value through profit and loss securities[1]		1,370,484		580,157
	$	3,064,117	$	2,477,289

[1] Marketable securities comprise common shares in publicly traded companies as follows:

	September 30, 2016					September 30, 2015				
	Number of shares		Cost		Fair market value	Number of shares		Cost		Fair market value
Arcus Development Group Inc.	29,000	$	11,020	$	2,030	29,000	$	11,020	$	580
Croesus Gold Corp.[1]	6,000,000		600,000		1,300,000	2,000,000		200,000		-
Guerrero Exploration Inc.	1,926,000		343,049		-	1,926,000		343,049		-
Savannah Gold Corp.[2]	275,438		160,667		24,789	550,877		160,667		2,754
Sierra Madre Developments Inc.[3]	12,503,218		1,103,791		-	12,503,218		1,103,791		-
Morro Bay Resources Ltd.	8,733,001		763,030		43,665	28,841,109		1,870,597		576,823
		$	2,981,557	$	1,370,484		$	3,689,124	$	580,157

[1] As at September 30, 2015, the Company held 2,000,000 shares in Croesus Gold Corp., a private company, valued at $nil as the shares were written down by $200,000. Subsequent to September 30, 2016, the Company sold 3,000,000 shares of Croesus Gold Corp., for $650,000 (Note 20 (a)), which provided the basis of the fair value measurement of Croesus Gold Corp. shares as at September 30, 2016.

[2] Savannah Gold Corp., was formerly named Mexigold Corp., and consolidated its common shares on the basis of two old shares for one new share on August 23, 2016.

[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.

6. Receivables

Receivables consist of tax refunds from the Federal Government of Canada and Mexico, and office expense reimbursements from a company controlled by an officer of the Company. The breakdown is as follows:

		September 30, 2016		September 30, 2015
GST recoverable amounts in Canada	$	16,109	$	29,218
IVA recoverable amounts in Mexico		164,139		166,035
Land taxes recovery in Mexico		64,077		-
Other receivables		1,084		-
	$	245,409	$	195,253

(Expressed in Canadian Dollars)

7. Prepaid expenses

The breakdown of prepaid expenses is as follows:

		September 30, 2016		September 30, 2015
Conferences and courses	$	9,659	$	19,931
Expense advances		22,559		19,684
Insurance		20,878		20,889
Rent		1,757		1,704
	$	54,853	$	62,208

8. Deposits and other assets

Deposits and other assets consist of a long-term rent deposit, and claim maintenance fees in regards to the Company's Sugarloaf Peak Property in the United States, which was disposed during the year ended September 30, 2016 (Note 10 (b)). The breakdown is as follows:

		September 30, 2016		September 30, 2015
Claim maintenance	$	-	$	42,091
Deposits		25,525		25,525
	$	25,525	$	67,616

(Expressed in Canadian Dollars)

9. Equipment

	Computer hardware	Exploration equipment	Furniture & fixtures	Vehicles	TOTAL
Cost					
Balance at September 30, 2014	$ 85,226	$ 150,337	$ 38,954	$ 207,578	$ 482,095
Additions	-	-	462	-	462
Disposals	-	-	-	(92,205)	(92,205)
Foreign exchange movement	(824)	(6,841)	(1,379)	(7,508)	(16,552)
Balance at September 30, 2015	$ 84,402	$ 143,496	$ 38,037	$ 107,865	$ 373,800
Foreign exchange movement	(2,234)	(18,533)	(3,735)	(15,557)	(40,059)
Balance at September 30, 2016	**$ 82,168**	**$ 124,963**	**$ 34,302**	**$ 92,308**	**$ 333,741**
Accumulated depreciation					
Balance at September 30, 2014	$ (74,666)	$ (73,681)	$ (19,294)	$ (131,125)	$ (298,766)
Depreciation	(4,718)	(14,987)	(3,969)	(18,823)	(42,497)
Disposals	-	-	-	65,556	65,556
Foreign exchange movement	707	3,943	724	5,250	10,624
Balance at September 30, 2015	$ (78,677)	$ (84,725)	$ (22,539)	$ (79,142)	$ (265,083)
Depreciation	(2,534)	(11,091)	(3,236)	(9,670)	(26,531)
Foreign exchange movement	2,067	12,334	2,345	12,236	28,982
Balance at September 30, 2016	**$ (79,144)**	**$ (83,482)**	**$ (23,430)**	**$ (76,576)**	**$ (262,632)**
Net book value					
Balance at September 30, 2014	$ 10,560	$ 76,656	$ 19,660	$ 76,453	$ 183,329
Balance at September 30, 2015	$ 5,725	$ 58,771	$ 15,498	$ 28,723	$ 108,717
Balance at September 30, 2016	**$ 3,024**	**$ 41,481**	**$ 10,872**	**$ 15,732**	**$ 71,109**

Depreciation for the year was allocated as follows: $26,531 (2015 - $41,548) expensed to profit or loss, $nil (2015 - $nil) capitalized to exploration and evaluation assets, and $nil (2015 - $949) capitalized to exploration work performed that will be reimbursed.

(Expressed in Canadian Dollars)

10. Exploration and evaluation assets

For the year ended September 30, 2016

	Penoles Mexico	Sugarloaf Peak USA	Tajitos Mexico	Clemente Mexico	La Silla Mexico	Glor Mexico	Bacoachi Mexico	Flute Canada	Lennac Canada	Total
Acquisition costs	$ 294,885	$ 22,090	$ 13,059	$ 14,444	$ 27,824	$ 17,605	$ 4,048	$ -	$ -	$ 393,955
Exploration costs:										
Assaying	-	-	-	-	4,281	-	-	-	-	4,281
Data acquisition	4,570	-	1,575	-	1,653	-	-	-	-	7,798
Field & camp costs	4,294	-	16,118	442	1,382	999	1,152	-	-	24,387
Geological consulting	122,972	-	160,473	17,581	52,452	26,289	-	-	-	379,767
Transport & support	15,302	-	38,012	4,077	15,885	3,564	-	-	-	76,840
Total current exploration costs	147,138	-	216,178	22,100	75,653	30,852	1,152	-	-	493,073
Professional & other fees:										
Professional consulting	6,473	12,567	4,500	2,000	5,000	6,000	-	-	-	36,540
Legal fees	28,912	-	20,988	179	-	125	-	-	-	50,204
Others	275	-	390	11	907	401	-	-	-	1,984
Total current professional & other fees	35,660	12,567	25,878	2,190	5,907	6,526	-	-	-	88,728
Total costs incurred during the period	477,683	34,657	255,115	38,734	109,384	54,983	5,200	-	-	975,756
Balance, Opening	200,550	382,344	1,562,615	509,749	-	-	-	2,825	157	2,658,240
Recoveries	-	(417,001)	-	(15,000)	-	-	-	-	-	(432,001)
Foreign exchange movements	(491,472)	-	(178,071)	(33,948)	(3,196)	(457)	(129)	-	-	(707,273)
Balance, End of the period	$ 186,761	$ -	$ 1,639,659	$ 499,535	$ 106,188	$ 54,526	$ 5,071	$ 2,825	$ 157	$ 2,494,722
Cumulative costs:										
Acquisition	$ 3,457,837	$ 554,770	$ 764,294	$ 105,079	$ 27,824	$ 17,605	$ 4,048	$ -	$ -	$ 4,931,457
Exploration	1,075,658	1,053,196	872,777	351,057	75,653	30,852	1,152	700	157	3,461,202
Professional & other fees	513,281	200,453	191,746	106,433	5,907	6,526	-	2,125	-	1,026,471
Recoveries	(4,319,037)	(1,808,419)	-	(23,057)	-	-	-	-	-	(6,150,513)
Foreign exchange movements	(540,978)	-	(189,158)	(39,977)	(3,196)	(457)	(129)	-	-	(773,895)
	$ 186,761	$ -	$ 1,639,659	$ 499,535	$ 106,188	$ 54,526	$ 5,071	$ 2,825	$ 157	$ 2,494,722

(Expressed in Canadian Dollars)

10. Exploration and evaluation assets (cont'd…)

For the year ended September 30, 2015

	Penoles Mexico	Sugarloaf Peak USA	Tajitos Mexico	Clemente Mexico	Coatan Mexico	Sierra Salada Mexico	Flute Canada	Lennac Canada	Total
Acquisition costs	$ 82,565	$ 38,788	$ 44,921	$ 7,139	$ -	$ 9,144	$ -	$ -	$ 182,557
Exploration costs:									
Assaying	-	-	6,931	-	-	-	-	-	6,931
Data acquisition	-	-	1,676	-	-	-	-	-	1,676
Field & camp costs	4,065	70	10,661	645	-	3,202	-	-	18,643
Geological consulting	25,529	-	59,850	9,279	-	6,135	-	-	100,793
Transport & support	8,441	1,124	19,624	2,155	-	1,320	-	-	32,664
Total current exploration costs	38,035	1,194	98,742	12,079	-	10,657	-	-	160,707
Professional & other fees:									
Professional consulting	31,259	10,334	8,667	-	-	-	-	-	50,260
Legal fees	16,300	18,126	22,519	6,668	-	-	-	-	63,613
Others	1,796	13,460	8,394	-	-	-	-	-	23,650
Total current professional & other fees	49,355	41,920	39,580	6,668	-	-	-	-	137,523
Total costs incurred during the period	169,955	81,902	183,243	25,886	-	19,801	-	-	480,787
Balance, Opening	1,009,186	550,442	1,438,625	495,559	153,884	324,318	2,825	157	3,974,996
Asset write-off	-	-	-	-	(147,087)	(331,975)	-	-	(479,062)
Recoveries	(805,120)	(250,000)	-	-	-	-	-	-	(1,055,120)
Foreign exchange movements	(173,471)		(59,253)	(11,696)	(6,797)	(12,144)	-	-	(263,361)
Balance, End of the period	$ 200,550	$ 382,344	$ 1,562,615	$ 509,749	$ -	$ -	$ 2,825	$ 157	$ 2,658,240

	Penoles Mexico	Sugarloaf Peak USA	Tajitos Mexico	Clemente Mexico	Coatan Mexico	Sierra Salada Mexico	Flute Canada	Lennac Canada	Total
Cumulative costs:									
Acquisition	$ 3,162,952	$ 532,680	$ 751,235	$ 90,635	$ 55,394	$ 56,688	$ -	$ -	$ 4,649,584
Exploration	928,520	1,053,196	656,599	328,957	88,844	246,268	700	157	3,303,241
Professional & other fees	477,621	187,886	165,868	104,243	24,608	30,580	2,125	-	992,931
Asset write-off	-	-	-	-	(147,087)	(331,975)	-	-	(479,062)
Recoveries	(4,319,037)	(1,391,418)	-	(8,057)	(24,656)	-	-	-	(5,743,168)
Foreign exchange movements	(49,506)	-	(11,087)	(6,029)	2,897	(1,561)	-	-	(65,286)
	$ 200,550	$ 382,344	$ 1,562,615	$ 509,749	$ -	$ -	$ 2,825	$ 157	$ 2,658,240

10. 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 years ended September 30, 2015 and 2014, the Company entered into an agreement to option a proportionate interest in the project to Morro Bay Resources Ltd. ("Morro Bay") which was successfully exercised by Morro Bay who earned a 51% interest in the Property.

Per the terms of the option agreement, as of May 1, 2016, Morro Bay had failed to meet the minimum required annual exploration expenditures of $750,000. As a result, on June 13, 2016, the Company elected to take back 100% ownership of the Project by returning 80% of the Morro Bay shares received over the course of the option agreement, being a total of 20,108,108 Morro Bay shares with a fair value of $201,081, recorded within acquisition costs. At no time while owning Morro Bay shares, was the Company considered to have significant influence over Morro Bay.

(b) Sugarloaf Peak, Arizona, USA

The Company formerly owned 100% of the Sugarloaf Peak Property, a gold project, subject to a 1.5% NSR. The Company optioned the Property to Croesus Gold Corp. ("Croesus Gold") whereby Croesus Gold could acquire a 100% interest by completing certain cash payments and share issuances to the Company.

In December 2015, the terms of the option agreement were amended, resulting in the Company receiving from Croesus Gold, $400,000 cash, and 4,000,000 common shares of Croesus Gold (received with fair value of $400,000).

In March 2016, the terms of the option agreement were amended further to allow Croesus Gold to earn an immediate undivided 100% interest in the property with the Company retaining a 2% NSR by making a one-time cash payment of $250,000 plus $42,000 to reimburse Riverside for pre-paid claim fees, totaling $292,000 (received). Croesus Gold has no further obligations to the Company in respect of the property.

As a result, the Company received aggregate cash and share option payments from Croesus Gold during the year ended September 30, 2016, of $1,092,000. Of the total recovered, $417,001 was recorded against the property to reducing the carrying value to $nil, and the excess of $674,999 recorded within recovery on exploration and evaluation assets in profit or loss.

(Expressed in Canadian Dollars)

10. Exploration and evaluation assets (cont'd…)

(c) Tajitos, Sonora, Mexico

On October 14, 2015, the Company entered into an option agreement with Centerra Exploration B.V. ("Centerra") whereby Centerra could acquire a 70% interest in the Company's Tajitos gold project in consideration of certain exploration expenditure commitments.

On June 2, 2016, subsequent to an initial drill program, Centerra terminated the option agreement with the Company and the Company has a 100% interest in Tajitos Property.

(d) Clemente, Sonora, Mexico

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

On August 23, 2016, the Company entered into a Letter of Intent ("LOI") with Silver Viper Minerals Corp. ("Silver Viper") whereby Silver Viper could acquire a 100% interest in the Clemente Property. The LOI was superseded on December 2, 2016 (Note 20(b)), when the Company executed an Option Agreement with Silver Viper, whereby Silver Viper can acquire a 100% interest in the Clemente Property 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	$ 25,000 (received)[1]	1,000,000 (received)[1]	-
December 2, 2016	$ 46,500 (received)[1]	-	-
December 2, 2017	$ 50,000	-	$ 350,000
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 payments were received subsequent to September 30, 2016 (Note 20 (b)).

(e) La Silla, Sinaloa, Mexico

In October 2015, the Company acquired two large mining concessions covering approximately 2,305 hectares in the La Silla district in Sinaloa through a lottery process.

(f) Hochschild Exploration Alliance, Sonora, Mexico

Glor Project

On April 9, 2013, the Company entered into a three-year strategic exploration alliance (the "Alliance") with Hochschild Mining Holding Limited ("Hochschild") for generative exploration throughout the Mega-shear Gold Belt in western Sonora, Mexico. Hochschild agreed to fund US$750,000 on an annual basis for a total of US$2,250,000 over three years. In April 2016, the exploration alliance reached the end of its term and expired, resulting in a $590,864 recovery on exploration and evaluation assets.

Upon completion of the Alliance 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:

(Expressed in Canadian Dollars)

10. Exploration and evaluation assets (cont'd…)

(f) Hochschild Exploration Alliance, Sonora, Mexico (cont'd…)

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
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.

(g) Bacoachi, Sonora, Mexico

On July 22, 2016, the Company staked and submitted an application to acquire a 100% exploration concession interest in the Bacoachi Property. The Property is 612 hectares in northeastern Sonora, Mexico.

(h) Antofagasta Exploration Alliance, British Columbia, Canada

Flute and Lennac Projects

The Company assumed the interest in the Flute and Lennac 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.

Swift Katie Project

The Swift Katie Project was acquired through the historical SEA with AMSA. In connection with the project, $65,492 in reclamation bonds were held on behalf of the Company with the British Columbia Ministry of Energy, Mines and Petroleum Resources. These bonds were released to the Company during the year ended September 30, 2016. During the year ended September 30, 2015, the Company terminated the option with the underlying concession holder, and has not further obligation with respect to the project. There were no historical capitalized costs associated with this project.

(i) Antofagasta Exploration Alliance, Sonora, Mexico

On July 18, 2013, the Company entered into a three-year strategic exploration alliance with Antofagasta Investment Company Limited ("AICL") for generative exploration in the major copper belt of northwestern Mexico in the eastern part of the state of Sonora. Effective July 18, 2016, generative exploration alliance agreement was amended, and it reallocated the remaining funding for generative exploration to the Thor Project.

Thor Project

Thor is a porphyry copper project, located in Sonora, Mexico. In April 2015, the Thor Project became a designated project and AICL agreed to fund up to US $500,000 for a phase I exploration program on the project.

(Expressed in Canadian Dollars)

11. Accounts payable and accrued liabilities

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

	September 30, 2016	September 30, 2015
Payables to vendors	$ 104,094	$ 116,096
Exploration advances	942,249	329,831
	$ 1,046,343	$ 445,927

12. Capital stock and reserves

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

Issued and outstanding

Transactions for the year ended September 30, 2016 were as follows:

(a) The Company issued 320,000 bonus shares at a value of $48,000 to certain executive officers and consultants of the Company as a performance bonus for 2015 in accordance with the Company’s shareholder approved bonus share plan.

(b) The Company issued 38,000 common shares on the exercise of stock options for proceeds of $10,260, and allocated $4,853 from reserves to capital stock representing share-based payments recognized on the original vesting of the stock options.

Transactions for the year ended September 30, 2015 were as follows:

(c) The Company issued 40,000 bonus shares at a value of $14,000 to certain executive officers as a performance bonus which was accrued in fiscal year 2014.

Share purchase and agent’s warrants

As of September 30, 2016, the Company had no warrants outstanding (September 30, 2015 – nil).

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, 2016, replaces the preceding plan, and the number of bonus shares that may be issued under the Bonus Plan is 375,000 common shares. During the year ended September 30, 2016, 320,000 bonus shares were issued under this plan.

(Expressed in Canadian Dollars)

12. Capital stock and reserves (cont'd…)

Stock option plan

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 375,000 that may be issued as bonus shares that have not been so issued as at the date of grant. Options are non-assignable and may be granted for a term not exceeding that permitted by the Exchange, currently ten years. All stock options issued are subject to vesting terms. Options issued to directors, vest in the amount of 33% every six months from the date of grant; and options issued to officers and/or consultants vest between 12 and 24 months depending on date of grant and nature of service. The exercise price of each option equals the market price, minimum price, or discounted market price of the Company's shares as calculated on the date of grant.

Share-based payments relating to options vested during the year ended September 30, 2016, using the Black-Scholes option pricing model was $72,445 (2015 - $124,324), 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 period was calculated based on the following weighted average assumptions:

	2016	2015
Forfeiture rate	14 %	2.30 %
Estimated risk-free rate	0.66 %	1.53 %
Expected volatility	72.77 %	53.74 %
Estimated annual dividend yield	0.00 %	0.00 %
Expected life of options	5.00 years	5.00 years
Fair value per option granted	$ 0.0857	$ 0.11

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, 2014	2,352,500	$ 0.550
Forfeited	(297,500)	$ 0.555
Granted	1,087,000	$ 0.270
Outstanding options, September 30, 2015	3,142,000	$ 0.453
Forfeited	(403,000)	$ 0.269
Exercised	(38,000)	$ 0.270
Expired	(1,465,000)	$ 0.500
Granted	955,000	$ 0.145
Outstanding options, September 30, 2016	2,191,000	$ 0.324

As at September 30, 2016, 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**
12/14/2017	575,000	1.21	$ 0.650	575,000
11/14/2019	816,000	3.12	$ 0.270	816,000
01/07/2021	800,000	4.27	$ 0.145	350,000
	2,191,000	3.04		1,741,000

(Expressed in Canadian Dollars)

13. Income taxes

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

	2016	2015
Net income (loss) for the year	$ 762,558	$ (2,861,752)
Expected income tax expense (recovery)	$ 198,000	$ (744,000)
Change in statutory, foreign tax, foreign exchange rates and other	105,000	463,000
Permanent difference	(50,000)	161,000
Change in unrecognized deductible temporary differences	(253,000)	120,000
Total income taxes	$ -	$ -

The significant components of the Company's deferred tax assets and liabilities related to Mexico are as follows:

	2016	2015
Deferred tax assets (liabilities)		
Exploration and evaluation assets	$ (643,000)	$ (636,000)
Property and equipment	82,000	73,000
Non-capital losses	561,000	563,000
Net deferred tax liability	$ -	$ -

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

	2016	2015
Deferred tax assets		
Allowable capital losses	$ 165,000	$ 165,000
Non-capital losses	2,496,000	2,762,000
Capital assets	31,000	45,000
Marketable securities	209,000	378,000
Exploration and evaluation assets	418,000	223,000
	$ 3,319,000	$ 3,573,000

(Expressed in Canadian Dollars)

13. Income taxes (cont'd…)

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

	September 30, 2016	Expiry dates	September 30, 2015	Expiry dates
Allowable capital losses	$ 633,000	N/A	$ 633,000	N/A
Non-capital losses	9,494,000	2017-2036	10,685,000	2016-2035
Capital assets	122,000	N/A	175,000	N/A
Exploration and evaluation assets	1,354,000	N/A	859,000	N/A
Marketable securities	1,611,000	N/A	3,109,000	N/A

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

14. Related party transactions

The financial statements include the accounts of the Company and its subsidiaries listed in the table of Note 4(a).

The Company entered into the following transactions with related parties:

Payee	Nature of transactions	Year ending September 30	Fees ($)	Shares ($)	Amount payable at year end ($)
Arriva Management Inc.	Management and consulting fees (i)	2016 2015	234,872 235,000	11,250 Nil	Nil Nil
GSBC Financial Management Inc.	Management and consulting fees (i)	2016 2015	170,004 170,004	11,250 Nil	Nil Nil
Dorado Minerals	Consulting fees (i)	2016 2015	110,171 153,000	5,625 Nil	Nil Nil
Ronald Burk	Consulting fees (i)	2016 2015	15,000 Nil	Nil Nil	7,604 Nil
English Bay Capital	Consulting fees (i)	2016 2015	102,000 102,000	11,250 Nil	Nil Nil
Michael Doggett	Director fees	2016 2015	12,000 12,000	Nil Nil	Nil 3,000
William Lee	Director fees	2016 2015	4,750 12,000	Nil Nil	Nil 1,521
Brian Groves	Director fees	2016 2015	12,000 12,000	Nil Nil	Nil Nil
James Clare	Director fees	2016 2015	12,000 12,000	Nil Nil	Nil 3,000
Carol Ellis	Director fees	2016 2015	4,000 Nil	Nil Nil	Nil Nil
Walter Henry	Director fees	2016 2015	4,000 Nil	Nil Nil	Nil Nil

At September 30, 2016, the amount payable to a company controlled by an officer of the Company was $2,013 (2015 - $9,616) for expense reimbursements.

(Expressed in Canadian Dollars)

14. Related party transactions (cont'd…)

During the year ended September 30, 2015, a loan that the Company had previously made to a private company with a related officer/director, which amounted to $150,000 including interest and fees, was written off.

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers. The remuneration of directors and key management personnel during the year ended September 30, 2016 and 2015 are as follows:

	2016	2015
Directors' fees	$ 48,750	$ 48,000
Management and consulting fees (i)	632,047	558,004
Performance bonus shares	39,375	14,000
Share-based payments	59,242	94,932
	$ 779,414	$ 714,936

(i) Management and consulting fees of the key management personnel for the year were allocated as follows: $157,500 (2015 - $132,000) expensed to consulting fees, $42,000 ($2015 - $nil) expensed to investor relations, $208,311 (2015 - $69,069) capitalized to exploration and evaluation assets, $655 (2015 - $nil) expensed to property investigation and evaluation, and $223,581 (2015 - $356,935) capitalized to exploration work performed for alliances that will be reimbursed.

15. Segmented information

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

	September 30, 2016	September 30, 2015
Equipment		
Canada	$ 14,385	$ 19,634
Mexico	56,724	89,083
	71,109	108,717
Exploration and evaluation assets		
Canada	2,982	2,982
Mexico	2,491,740	2,272,914
USA	-	382,344
	2,494,722	2,658,240
Total	$ 2,565,831	$ 2,766,957

(Expressed in Canadian Dollars)

16. Supplemental disclosure with respect to cash flows

		2016		2015
Cash paid during the year for income taxes	$	-	$	-
Cash paid during the year for interest	$	-	$	-

The significant non-cash transactions for the year ended September 30, 2016 were as follows:

a) The Company issued 320,000 common shares at a value of $48,000 to certain officers and consultants in accordance with the Company's bonus share plan. Of which, $11,344 was expensed to consulting fees, and $36,656 was capitalized to exploration and evaluation assets.

b) The Company received 4,000,000 Croesus Gold shares valued at $400,000 as exploration and evaluation asset recoveries (Note 10(b)).

c) The Company returned 20,108,108 Morro Bay shares upon termination of Peñoles option agreement (Note 10(a)).

d) Included in accounts payable was $1,465 (September 30, 2015 - $34,349) in exploration and evaluation asset expenditures.

The significant non-cash transactions for the year ended September 30, 2015 were as follows:

e) The Company issued 40,000 common shares at a value of $14,000 to an executive officer as a performance bonus in 2015 which was accrued for in fiscal 2014. Of the total amount, $3,500 was expensed to consulting fees, $3,500 was capitalized to exploration and evaluation assets, and $7,000 was capitalized to exploration work performed for alliances that was reimbursed in the year ended September 30, 2014.

f) The Company received 15,000,000 Morro Bay shares with a value of $750,000 for the Peñoles Property which was recorded as an exploration and evaluation asset recovery.

g) The Company received 2,000,000 Croesus Gold shares valued at $200,000 for the Sugarloaf Peak Property which was recorded as an exploration and evaluation asset recovery.

h) Included in accounts payable and accrued liabilities was $34,349 in exploration and evaluation asset expenditures.

17. 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, exploration and development 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.

18. 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, exploration bonds and 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 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. Receivables consist of tax refunds from the Federal Government of Canada and Mexico, in which regular collection occurs, and office expense reimbursements from a company controlled by an officer of the Company. The Company believes its credit risk is equal to the carrying value of this balance.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2016, the Company had a cash balance of $1,997,081 and short-term investments of $3,064,117 to settle current liabilities of $1,046,343. The Company believes it has sufficient funds to meet its current liabilities as they become due.

Interest rate risk

The Company has cash balances and interest-bearing investments. The interest earned on the short-term investments approximates fair value rates, and the Company is not at a significant risk to fluctuating interest rates. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As of September 30, 2016, the Company had investments in short-term deposit certificates of $1,693,633 (Note 5).

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.

18. Financial instruments (cont'd…)

Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash, 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 accumulated other comprehensive income (loss) for the year by approximately $330,335.

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 $205,573.

19. Commitment

The Company entered into an office lease agreement with a third party for the office in Vancouver, Canada for a 5-year term from March 1, 2013 to February 28, 2018. Total remaining office lease commitments are as follows: $177,625 in 2017; and $74,987 in 2018.

20. Subsequent events

a) On October 28, 2016, the Company sold 3,000,000 shares of Croesus Gold Corp., for $650,000 (Note 5).

b) On December 2, 2016, the Company entered into an Option Agreement with Silver Viper (Note 10(d)). In connection therewith, the Company received $71,500 in cash, and 1,000,000 common shares of Silver Viper.

c) On December 16, 2016, the Company granted 1,070,000 incentive stock options to certain directors, officers, and consultants of the Company. The options are exercisable at $0.42 per share for a period of five years from the date of grant.

RIVERSIDE RESOURCES INC.
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

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 year ended September 30, 2016. 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, 2016. 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 January 25, 2017 and in Canadian dollars unless otherwise stated.

Additional information relating to the Company, including its Information Circular for the financial year ended September 30, 2016, 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 found mineral resources and gone into production.

The Company combines the experience of mine discoverer John-Mark Staude (President, CEO, Director) with the finance and business management expertise of Rob Scott (CFO), Brian Groves (Director), James Clare (Director), Michael Doggett (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.

CAPITAL STOCK

As at September 30, 2016, the Company had $20,980,091 in capital stock and 37,409,778 common shares outstanding.

Options and Performance Bonus Shares

Stock option and performance bonus share activity for the year ended September 30, 2016 included the following:

(a) 320,000 bonus shares were issued at a value of $48,000 to certain officers and consultants in accordance with the Company's shareholder approved bonus share plan.

(b) 1,465,000 options expired unexercised, and 403,000 options were forfeited.

(c) 955,000 options were granted, exercisable at a price of $0.145 per common share for a period of 5 years.

(d) 38,000 options were exercised for gross proceeds of $10,260.

(e) Subsequent to the year-end, 1,070,000 options were granted, exercisable at a price of $0.42 per common share for a period of 5 years.

Stock option and performance bonus share activity for the year ended September 30, 2015 included the following:

(a) 40,000 bonus shares were issued in 2015 at a value of $14,000 to certain executive officers as a performance bonus accrued in 2014.

(b) 1,087,000 options were granted at $0.27 per common share for a period of 5 years.

(c) 297,500 options were forfeited.

Warrants

There was no share purchase warrant activity for the year. As of September 30, 2016, the Company had no warrants outstanding (2015 – nil).

OPERATIONS

Mexico

The Company's exploration team remains active in Mexico and continues to cost effectively build a strong portfolio of gold, silver and copper exploration assets. The Company continues to focus on NW Mexico where it has multiple exploration partners funding programs focused on gold, silver and copper.

Tajitos Gold Project, Sonora, Mexico

The Tajitos Gold Project consists of two concessions blocks: Tajitos and El Tejo. The Tajitos Project hosts an extensive and well mineralized gold system in northwestern Mexico. The project was identified using a combination of the Company's Mexico mineral databases, local geologic knowledge, historic production data, and extensive personal networks.

The Company completed a ground magnetic survey which showed favourable indications that the prospective trend of gold-rich Mesozoic volcanosedimentary mineralization extends to the southeast under shallow post-mineralization cover. On October 14, 2015, the Company signed an option agreement with Centerra Exploration B.V. ("Centerra"), and five months later in March of 2016, the Company and Centerra commenced drilling on the property. On May 17, 2016, the Company and Centerra announced results from eight (8) diamond core holes totalling 1,832 metres. Highlighted intercepts from the core drilling included (reported intervals are approximate true width):

- T16-001D, 3.00 metres @ 1.14 g/t gold starting at 297.00 metres depth (hole ended in mineralization);
- T16-002D, 11.10 metres @ 0.78 g/t gold starting at 185.90 metres depth;
- T16-005D, 3.00 metres @ 6.12 g/t gold starting at 48.00 metres depth;
- T16-008D, 1.50 metres @ 6.03 g/t gold starting at 42.00 metres depth;

Mineralization intersected in the Tajitos drilling correlates with fault zones and lithologic contacts and further drilling is required to determine the mineralization extent and tenor. Initial evaluation of trace elements from 6 of the holes and surface sampling show an enrichment in As, and Sb within the gold zone and in the footwall below gold enriched zones. The core drilling at Tajitos provides key structural and stratigraphic information permitting updated fault control modeling and detailed investigation of alteration patterns and paragenesis of the gold mineralization. Please visit the Tajitos Project Page to view a drill hole location map, cross sections and additional photos and figures.

A program of reverse circulation drilling in the Tejo area was designed to determine the depth to bedrock and 1,728 metres were completed in 12 holes. The Tejo drilling determined depth to bedrock ranges from a few metres to over 200 metres deep. The intersected bedrock includes the same stratigraphic units which host gold mineralization at the Tajitos target and similar alteration is observed in both areas.

On June 7, 2016, the Company announced that Centerra had terminated the option after funding more than $500,000 into drilling and exploration. The Company is free to advance the Tajitos Project as it wishes and will continue to follow its prospect generator business approach and explore new partnership opportunities.

Peñoles Project, Durango, Mexico

On January 15, 2015, and March 31, 2015, the Company extended the option agreement exercise date with Morro Bay Resources Ltd. ("Morro Bay") from December 31, 2014 to March 31, 2015 and subsequently to May 1, 2015. The final payment of $750,000 (payable in cash or shares at Morro Bay's election provided Morro Bay shares are valued at $0.05 or greater) was also extended to May 1, 2015. On May 5, 2015, the Company announced that Morro Bay exercised the option by making the final payment of 15,000,000 common shares of Morro Bay. As a result, Riverside had ownership and control over 28,841,109 common shares of Morro Bay.

The US$1,250,000 and CAD$100,000 cash payments previously required to be paid by December 31, 2014 were applied as a credit for Riverside towards initial joint venture expenditures under the joint venture. Morro Bay was required to incur a minimum of $750,000 in joint venture expenditures for each of the first three years of the Joint Venture. Morro Bay failed to meet the minimum required joint venture expenditures and the Company issued a default notice as announced on June 7, 2016. On June 30, 2016, the Company announced that it had returned 80% of the common shares issued by Morro Bay to Riverside and exercised its right to take back 100% ownership in the Project. As a result, Riverside holds 8,733,001 common shares of Morro Bay, which represented approximately 9.5% of Morro Bay's issued and outstanding shares at the time of the announcement.

The Company's management team had already completed numerous amendments with Morro Bay and felt this course of action was in the Company's best interest to ensure that the asset could be advanced and explored by the Company or funded through a new partnership.

Please visit the Company's website and SEDAR filings for further information on the resource estimate and all of the previously completed exploration and drill programs at the Peñoles Property.

Glor Gold Project

The Company's Glor Project is located in Sonora, Mexico, and was initially acquired and funded as part of the Company's past strategic alliance with Hochschild Mining. On May 4, 2016, the Company provided an exploration update on work completed on the Project. Riverside has completed several campaigns of exploration work on the property, including detailed geologic and alteration mapping, rock-chip and channel assays, orientation ground magnetic surveys, reprocessing of regional high-resolution airborne magnetic surveys, and a soil sampling survey over the southwestern portion of the property. Riverside has collected 155 rock-chip samples, with assays ranging from less than 0.005 gram per tonne to 18.85 grams per tonne gold. On July 25, 2016, the Company announced that it had entered into an option agreement with Minera Centerra S.A. de C.V. ("Minera Centerra"). Minera Centerra will have the opportunity to earn a 70-per-cent interest in the project by funding $3.5-million (U.S.) in exploration work over the next four years. Riverside has completed mapping and sampling work on the project, and will continue as the project manager for at least the first two years of the agreement with Minera Centerra.

In August 2106 Minera Centerra approved an initial program of $250,000 (USD) that was to include additional mapping focused on geology definition within previously generated target concepts, 1,000 soil samples and 136 line-km of ground magnetics surveying planned for the target zones. The magnetics data was to be followed up with 20 line-kms of induced polarization (IP) surveying and 1,800 metres of channel sampling (3m long samples) for a total of approximately 600 rock samples.

In November 2016, subsequent to year end, the Company released results from the initial parts of the program. Geologic mapping and soil sampling defined a gold-in-soil anomaly and a zone of hydrothermally altered rocks that is more than 2km long. The Induced Polarization (IP) survey also returned positive results; a zone of anomalous chargeability that in extent closely matches the soil geochemistry anomaly has been defined by the survey.

The 926 field soil samples were collected at 50 meter intervals along the survey lines. Particularly noteworthy is a linear, NNW-trending multi-element anomaly defined in the northern part of the property by soils containing elevated concentrations of Au, Ag, As, Pb, Zn and Mn. The anomaly is about 2.2 kilometres in length, 150-350 meters wide, and follows the trend in this area of magnetic survey patterns and the strike of deformed and hydrothermally altered Mesozoic sedimentary rocks. Assay values for peak gold-in soil anomalies are in the range of 100-150 ppb Au. Additional, northerly trending Au-in-soil anomalies, 1.0-1.4 km in length, have been outlined in the central and western parts of the property.

The work program funded by Minera Centerra continues on the project and additional results are expected through to June 2017.

A brief summary of the project and previous disclosures are available on the Company's website.

Clemente Silver - Gold Project

The Company's Clemente project is an early stage exploration property located in Sonora, Mexico. On August 23, 2016, the Company entered into a Letter of Intent ("LOI") with Silver Viper Minerals Corp. ("Silver Viper") whereby Silver Viper will acquire a 100% interest in the Clemente property. Subsequent to the year-end, on December 2, 2016, the Company entered into an Option Agreement with Silver Viper, whereby Silver Viper will need to pay cash of $796,500 ($86,500 received), issue 2,000,000 common shares to the Company (1,000,000 common shares received), and incur $4,000,000 in aggregate exploration expenditures within five years of signing the Definitive Agreement.

La Silla Gold - Silver Project

On November 17, 2015, the Company announced that it had won the right to stake concessions in the La Silla gold district in Sinaloa, Mexico. On June 29, 2016, the Company announced results from initial rock sampling with assays ranging from less than 0.05 gram per tonne gold up to 7.24 g/t gold and less than 0.05 gram per tonne silver up to 148.4 g/t silver. The Company is exploring partnership potential with other land owners in the district. A brief summary of the project and previous disclosures are available on the Company's website.

Antofagasta Exploration Alliance, Sonora, Mexico

The Company and Antofagasta Minerals PLC have reached the conclusion of the generative Alliance, but remain partners on the Thor Project located in Sonora, Mexico. Thor is a Laramide aged porphyry copper target that the Company identified during field evaluations, with initial rock chip sampling returning copper values up to 0.9%. On April 13, 2015, the Antofagasta Mexico Alliance designated the Thor porphyry copper project, as a designated project and agreed to finance up to $500,000 (U.S.) for a phase I exploration program on the project. The Company has received title and permits in the summer of 2016.

In May through September 2016 period Company geologists, worked in close collaboration with Antofagasta geologists, to complete initial detailed field mapping, prospecting and rock chip sampling program. Results were promising and resulted in drill targets being defined.

A total of 149 surface rock chip samples we collected. from outcropping areas in the southern target area and returned anomalous copper (Cu) values including 0.41%, 1.11% and ranging up to 1.47% Cu. Samples from the southern target area also returned variable elevated gold ranging from less than detection limit up to 0.7 g/t Au.

Target analysis from Riverside's regional stream sediment sampling now defines areas for more extensive field review.

In October 2016, subsequent to year end, a ground magnetic susceptibility survey covering 18 square kilometers of the project was completed by the Company personnel on behalf of the joint venture. The survey data was reviewed, processed and interpreted by Reno-based Ellis Geophysical Consulting Inc. ("EGC"). The interpretation work done by EGC has been combined with geological and geochemical data previously obtained from the Project by the Alliance, resulting in the definition of a number of promising porphyry copper drill targets.

In late October 2016, subsequent to year end, an initial diamond drilling campaign designed to test three separate target areas. The planned program was to consist of 1,200 meters of core drilling and Major Drilling de Mexico S.A. de C.V. was been contracted to perform the program. The program has now been completed and the Company and its partner are awaiting results.

The scientific and technical data contained in the property descriptions pertaining to the Company's Mexico portfolio were reviewed by Locke Goldsmith, P. Eng., P. Geo., an independent qualified person to Riverside Resources, 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 Projects.

USA

Sugarloaf Peak Project, Arizona, USA

The Sugarloaf Peak Project ("Sugarloaf") has the potential to host a large, low-grade, bulk-tonnage gold deposit with additional porphyry copper-gold targets discovered during previous partner funded exploration.

In March 2016, the Company completed the sale of the Sugarloaf Project to Croesus Gold Corp ("Croesus"). As a result, Croesus earned an undivided 100% interest in the property with the Company receiving 6,000,000 Croesus common shares, $700,000 in cash and retaining a 2% NSR. On October 28, 2016, subsequent to the year end, the Company sold 3,000,000 Croesus shares for $650,000.

For additional information on the agreement and the Sugarloaf Peak Project please visit the Company's website and SEDAR filings.

The scientific and technical data contained in the property descriptions pertaining to the Company's Sugarloaf Peak Project were reviewed by Locke Goldsmith, P. Eng., P. Geo., an independent qualified person to Riverside Resources, 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 Projects.

CORPORATE

On February 19, 2016, Mr. William Lee resigned as a Director of the Company. On June 2, 2016, Ms. Carol Ellis and Mr. Walter Henry were appointed to the Company's Board of Directors.

Ms. Ellis consults on mining, exploration and venture strategy and is based in Vancouver. Ms. Ellis has diverse experience in the junior resource sector, recently as an investment banker with a full service dealer headquartered in Vancouver, and previously as a manager with the TSX Venture Exchange, a mining analyst with a boutique investment company and as vice-president investor relations with a junior resource company. She started her career as a geologist with the federal government in Yellowknife, NWT, promoting mineral exploration in Canada's north. She holds a B.Sc. in Geological Sciences; an MBA from Queen's University and is a Professional Geoscientist. Ms. Ellis is a past Director of AME BC.

Mr. Henry is currently President of Frontline Gold Corporation, holds a BA in Political Science/Economics, and has several years' experience in the finance and mining industries. He served with CIBC, BNP Paribas, and PriceWaterhouseCoopers where he managed portfolios and arranged project financing totaling over $1 billion. Since 2003, he has since held executive positions with Tiberon Minerals, Royal Nickel Corporation, Alturas Minerals, and Satori Resources Inc. He currently holds various Chairman, Audit Committee Chairman and Director roles, in the following companies: Alexandria Minerals Corporation, Alturas Minerals Corp., Merrex Gold Corp, and Platinex Inc. Mr. Henry has completed the requirements of the CFA program and Institute of Corporate Directors - Director Education Program.

On May 13, 2016, Dr. Greg Myers resigned as Vice President of Exploration to pursue other interests. On September 6, 2016, Mr. Ron Burk was appointed as Vice President of Exploration.

Mr. Burk has 30 years of work experience in the minerals industry, primarily focused on generating and evaluating exploration properties. He most recently worked at Centerra Gold Inc. as VP of Exploration. Prior to this, he held the positions of VP, Exploration and Chief Geologist at Silver Standard Resources Inc. where he contributed to discoveries that resulted in the definition of a world-class silver resource at the Pitarrilla project in Durango, Mexico and major gold resources forming the Snowfield and Brucejack deposits in northern British Columbia, Canada.

SELECTED ANNUAL INFORMATION

The following table sets forth selected consolidated information of the Company at September 30, 2016 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		**2016**		**2015**		**2014**
Finance, property and other income	$	20,529	$	60,934	$	331,857
Net income (loss)		762,558		(2,861,752)		(2,241,817)
Net earnings (loss) per share, basic and fully diluted		0.02		(0.08)		(0.06)
Cash and short-term investments		5,061,198		4,259,230		6,277,611
Total assets		7,952,816		7,416,756		10,857,453
Long term debt		-		-		-
Dividends		-		-		-

The Company is in the exploration stage. The net income in 2016 was primarily due to the recovery on exploration and evaluation assets and an unrealized gain on the held-for-trading securities that the Company received through option agreements.

REVIEW OF OPERATIONS AND FINANCIAL RESULTS

Year ended September 30

For the year ended September 30, 2016, the Company had a net income of $762,558, resulting in earnings per share of $0.02. The gain was related to finance income of $20,204, other income of $325, an unrealized gain on short-term investments of $591,409, and recovery on exploration and evaluation assets of $1,265,863, which were offset by operating expenses of $1,028,646 and a foreign exchange loss of $86,597.

For the year ended September 30, 2015, the Company incurred a net loss of $2,861,752, resulting in a loss per share of $0.08. The loss was attributable to operating expenses of $1,156,490 before considering the effect of the foreign exchange gain of $81,045, an unrealized loss on short-term investments of $1,006,544*, write-down of exploration and evaluation assets of $479,062, write-down of loan receivable of $150,000, write-down of other receivables of $11,635, and write-down of short-term investments of $200,000, which were offset by finance income of $55,446 and other income of $5,488.

Fourth quarter ended September 30

For the quarter ended September 30, 2016, the Company had a net income of $998,726, resulting in earnings per share of $0.03. The gain was related to finance income of $1,162, other income of $175, an unrealized gain on short-term investments of $875,906, and a recovery of short-term investments of $400,000, which were offset by operating expenses of $258,453 and a foreign exchange loss of $20,064.

For the quarter ended September 30, 2015, the Company incurred a net loss of $1,396,525, resulting in a loss per share of $0.04. The loss was attributable to operating expenses of $324,382 before considering the effect of the foreign exchange loss of $67,037, an unrealized loss on short-term investments of $867,698*, reduction of the write-down of exploration and evaluation assets of $17,767 due to the effect of foreign exchange, write-down of loan receivable of $150,000, write-down of other receivables of $11,635, write-down of short-term investments of $200,000, and finance expense of $3,896, which was offset by other income of $10,356.

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

Exploration

The Company capitalizes all exploration costs relating to its resource interests whereas pre-exploration costs are expensed as incurred. During the year ended September 30, 2016, the Company recorded $975,756 in acquisition and exploration of its properties as follows:

- US
  - Sugarloaf Peak $ 34,657
- Mexico
  - Peñoles $ 477,683
  - Tajitos $ 255,115
  - Clemente $ 38,734
  - La Silla $ 109,384
  - Glor $ 54,983
  - Bacoachi $ 5,200

The Company recovered $432,001 of the acquisition and exploration expenditures through option agreements with partners on various properties during the year ended September 30, 2016, which reduced the cumulative exploration costs.

During the year ended September 30, 2015, the Company recorded $480,787 in acquisition and exploration of its properties as follows:

- US
  - Sugarloaf Peak $ 81,902
- Mexico
  - Peñoles $ 169,955
  - Tajitos $ 183,243
  - Clemente $ 25,886
  - Sierra Salada $ 19,801

The Company recovered $1,055,120 of the acquisition and exploration expenditures through option agreements with partners on various properties during the year ended September 30, 2015, which reduced the cumulative exploration costs. In addition, $479,062 was written-off to operations in regards to the Coatan and Sierra Salada properties.

Full particulars of the deferred exploration costs are shown in Note 10 to the Financial Statements.

Recoveries and Other Income

During the year ended September 30, 2016, the Company received $692,000 in cash and 4,000,000 Croesus Gold Corp. shares valued at $400,000 with respect to the option agreement on the Sugarloaf Peak Property. Of the total $1,092,000 recovered, $417,001 was offset against the carrying value of the property bringing the balance down to $nil as at September 30, 2016. The remaining $674,999 was recorded as a recovery on the exploration and evaluation asset on the statement of operations and comprehensive loss. In addition, the Company recovered $590,864 from exploration alliances which was recognized in the statement of operations and comprehensive loss. Finance income and other income for the year ended September 30, 2016 were $20,204 and $325 respectively.

During the year ended September 30, 2015, the Company received the following, which were recorded as a reduction to the capitalized cost of exploration and evaluation assets:

- $55,120 with respect to the reimbursement of concession fees on the Penoles Property,
- 15,000,000 Morro Bay Resources Ltd. shares valued at $750,000 with respect to the option agreement
- 2,000,000 Croesus Gold Corp. shares valued at $200,000 and $50,000 in cash with respect to the option agreement on the Sugarloaf Peak Property.

Finance income and other income for the year ended September 30, 2015 were $55,446 and $5,488 respectively.

Other income consists of revenues from exploration equipment and vehicle rentals to the alliance programs while acting as the operator on various exploration programs, and gain on the sale of equipment.

Expenses

During the year ended September 30, 2016, the Company incurred $26,531 in depreciation, $238,799 in consulting fees, $48,750 in directors' fees, $178,863 in investor relations fees, $115,108 in professional fees, $50,228 in property investigation and evaluation expenses, $72,445 in share-based compensation, $32,683 in travel, $265,239 in general and administrative expenses. In addition, the Company incurred $86,597 in foreign exchange loss. The Company earned $20,204 in finance income, $325 in other income, and $591,409 in an unrealized gain on short-term investments, and $1,265,863 in recovery on exploration and evaluation assets.

During the year ended September 30, 2015, the Company incurred $41,548 in depreciation, $232,530 in consulting fees, $48,000 in directors' fees, $114,963 in investor relations fees, $118,728 in professional fees, $108,951 in property investigation and evaluation expenses, $124,324 in share-based compensation, $29,617 in travel, $337,829 in general and administrative expenses. In addition, the Company incurred $1,006,544 in an unrealized loss on short-term investments, $479,062 in exploration asset write-down, $150,000 in loan receivable write-down, $11,635 in other receivables write-down, and $200,000 in short-term investments write-down. The Company earned $55,446 in finance income, $5,488 in other income, and $81,045 in foreign exchange gain.

Compared to the previous year, investor relations and travel expenses were higher due to increased marketing activity in response to rising market conditions. Property investigation and evaluation was lower as the focus of the exploration work in the year was primarily on exploration alliance programs.

General and administrative expenses consist of filing fees, directors 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 prior year as the Company cut costs to conserve capital.

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.

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.

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.

Quarter end	Finance income (expense)	Property and other income (expense)	Unrealized gain/(loss) on short-term investments	Net income (loss)	Earnings (Loss) per share (basic & fully diluted)
30-Sep-16	1,162	175	875,906	998,726	0.03
30-Jun-16	3,133	150	147,830	(112,517)	(0.00)
31-Mar-16	5,622	-	290	261,766	0.01
31-Dec-15	10,287	-	(432,617)	(385,417)	(0.01)
30-Sep-15	(3,896)	10,356	(867,698)	(1,396,525)	(0.04)
30-Jun-15	25,010	(20,424)	(4,205)	(671,486)	(0.02)
31-Mar-15	16,079	14,111	283,637	15,494	0.00
31-Dec-14	18,253	1,445	(418,278)	(809,235)	(0.02)

The net income for the quarter ended September 30, 2016 was primarily due to an unrealized gain on short-term investments. Other than the ongoing costs of the business, the net loss for the quarter ended September 30, 2015 was mainly due to the write-down of loan receivable and unrealized losses on marketable securities in 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. Increase in cash for the year ended September 30, 2016 was $215,140. Working capital as at September 30, 2016 was $4,315,117. The Company has sufficient funds to meet ongoing corporate activities and planned exploration programs for the ensuing year.

Decrease in cash for the year ended September 30, 2015 was $1,578,948. Working capital as at September 30, 2015 was $4,070,764.

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.

The Company entered into the following transactions with related parties:

Payee	Nature of transactions	Year ending September 30	Fees ($)	Shares ($)	Amount payable at year end ($)
Arriva Management Inc.	Management and consulting fees	2016 2015	234,872 235,000	11,250 Nil	Nil Nil
GSBC Financial Management Inc.	Management and consulting fees	2016 2015	170,004 170,004	11,250 Nil	Nil Nil
Dorado Minerals	Consulting fees	2016 2015	110,171 153,000	5,625 Nil	Nil Nil
Ronald Burk	Consulting fees	2016 2015	15,000 Nil	Nil Nil	7,604 Nil
English Bay Capital	Consulting fees	2016 2015	102,000 102,000	11,250 Nil	Nil Nil
Michael Doggett	Director fees	2016 2015	12,000 12,000	Nil Nil	Nil 3,000
William Lee	Director fees	2016 2015	4,750 12,000	Nil Nil	Nil 1,521
Brian Groves	Director fees	2016 2015	12,000 12,000	Nil Nil	Nil Nil
James Clare	Director fees	2016 2015	12,000 12,000	Nil Nil	Nil 3,000
Carol Ellis	Director fees	2016 2015	4,000 Nil	Nil Nil	Nil Nil
Walter Henry	Director fees	2016 2015	4,000 Nil	Nil Nil	Nil Nil

At September 30, 2016, the amount payable to Corex Management Inc. was $2,013 (2015 - $9,616) for expense reimbursements.

During the year ended September 30, 2015, a loan that the Company had previously made to a private company with a related officer/director, which amounted to $150,000 including interest and fees, was written off.

CONTRACTUAL AND OTHER OBLIGATIONS

The Company entered into an office lease agreement with a third party for the office in Vancouver, Canada for a 5-year term from March 1, 2013 to February 28, 2018. Total remaining office lease commitments are as follows: $177,625 in 2017; and $74,987 in 2018.

PROPOSED TRANSACTIONS

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

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, 2016. 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.

Exploration and Evaluation Assets

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

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

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

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

Impairment of Long-Lived Assets

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

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

Critical Accounting Estimates, Judgments, and Assumptions

The preparation of these consolidated financial statements in conformity with IFRS often requires management to make estimates about and apply assumptions or subjective judgment to future events and other matters that affect the reported amounts of the Company's assets, liabilities, expenses, and related disclosures. Assumptions, estimates and judgments are based on historical experience, expectations, current trends and other factors that management believes to be relevant at the time at which the Company's consolidated financial statements are prepared. Management reviews, on a regular basis, the Company's accounting policies, assumptions, estimates and judgments in order to ensure that the consolidated financial statements are presented fairly and in accordance with IFRS. Critical accounting estimates and judgments are those that have a significant risk of causing material adjustment and are often applied to matters or outcomes that are inherently uncertain and subject to change. As such, management cautions that future events often vary from forecasts and expectations and that estimates routinely require adjustment.

Management considers the following areas to be those where critical accounting policies affect the significant judgments and estimates used in the preparation of the Company's consolidated financial statements:

Carrying value and recoverability of exploration and evaluation assets

The carrying amount of Company's exploration and evaluation assets properties does not necessarily represent present or future values, and the Company's exploration and evaluation assets have been accounted for under the assumption that the carrying amount will be recoverable. Recoverability is dependent on various factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development and upon future profitable production or proceeds from the disposition of the mineral properties themselves. Additionally, there are numerous geological, economic, environmental and regulatory factors and uncertainties that could impact management's assessment as to the overall viability of its properties or to the ability to generate future cash flows necessary to cover or exceed the carrying value of the Company's exploration and evaluation assets properties.

To the extent that any of management's assumptions change, there could be a significant impact on the Company's future financial position, operating results and cash flows.

Functional currencies

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. That of the Company and its subsidiaries was determined by conducting an analysis of the consideration factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates.

Fair value of stock options and warrants

Determining the fair value of warrants and stock options requires judgments related to the choice of a pricing model, the estimation of stock price volatility, the expected forfeiture rate and the expected term of the underlying instruments. Any changes in the estimates or inputs utilized to determine fair value could result in a significant impact on the Company's future operating results or on other components of shareholders' equity.

Income taxes

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and future income tax provisions or recoveries could be affected.

Share-based payments

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

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

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

Financial instruments

Financial assets

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

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

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statement of operations.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for- sale. They are carried at fair value with changes in fair value recognized directly in accumulated other comprehensive loss. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the statement of operations.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

Financial liabilities

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

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

Other financial liabilities: This category includes accounts payables and accrued liabilities, which are recognized at amortized cost.

The Company has classified its cash and short-term investments as fair value through profit and loss. The Company's receivables, loans, and exploration bonds are classified as loans and receivables. The Company's accounts payable and accrued liabilities are classified as other financial liabilities.

New standards adopted during the year

Effective October 1, 2015, the following standard was adopted but did not have a material impact on the consolidated financial statements:

- IFRS 7: Amended to require additional disclosures on transition from IAS 39 and IFRS 9, effective for annual periods beginning on or after January 1, 2018.

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.

- IFRS 9: New standard that replaced IAS 39 for classification and measurement, effective for annual periods beginning on or after January 1, 2018.
- 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.

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, exploration bonds and 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 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. Receivables consist of tax refunds from the Federal Government of Canada and Mexico, in which regular collection occurs, and office expense reimbursements from a company controlled by an officer of the Company. The Company believes its credit risk is equal to the carrying value of this balance.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2016, the Company had a cash balance of $1,997,081 and short-term investments of $3,064,117 to settle current liabilities of $1,046,343. As at September 30, 2015, the Company had a cash balance of $1,781,941 and short-term investments of $2,477,289 to settle current liabilities of $445,927. The Company believes it has sufficient funds to meet its current liabilities as they become due.

Interest rate risk

The Company has cash balances and interest-bearing investments. The interest earned on the investments which comprises interest on GIC's approximates fair value rates, and the Company is not at a significant risk to fluctuating interest rates. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As of September 30, 2016, the Company had investments in short-term deposit certificates of $1,693,633.

Foreign currency risk

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

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 earnings 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.

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 accumulated other comprehensive income (loss) for the year by approximately $330,335.

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 $205,573.

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 37,409,778 common shares were issued and outstanding as of the date of this MD&A.

The Company has no 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:

Number of Options	Option Exercise Price	Expiry Date
575,000	$0.650	14-Dec-2017
816,000	$0.270	14-Nov-2019
800,000	$0.145	07-Jan-2021
1,070,000	$0.420	16-Dec-2021
3,261,000		