

RIVERSIDE RESOURCES INC.

(An Exploration Stage Enterprise)

(Expressed in Canadian Dollars)

Condensed Interim Consolidated Financial Statements

December 31, 2017

(Unaudited)

Index

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Notice of non-review of condensed interim consolidated financial statements

The attached condensed interim consolidated financial statements for the three month period ended December 31, 2017 have not been reviewed by the Company's auditors.

RIVERSIDE RESOURCES INC.

(An Exploration Stage Enterprise)

Condensed Interim Consolidated Statements of Financial Position as at
(Unaudited - Expressed in Canadian Dollars)

	Note	December 31, 2017	September 30, 2017
Assets			
Current assets:			
Cash and cash equivalents	14	\$ 3,528,257	\$ 3,918,999
Short-term investments	5	1,162,205	1,105,292
Receivables	6	485,254	457,511
Prepaid expenses	7	68,257	72,770
		5,243,973	5,554,572
Deposit		25,525	25,525
Equipment	8	75,375	86,104
Exploration and evaluation assets	9	4,332,591	4,403,658
		\$ 9,677,464	\$ 10,069,859

Liabilities and Shareholders' Equity

Current liabilities:

Accounts payable and accrued liabilities	10	\$ 236,478	\$ 181,576
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Shareholders' equity:

Capital stock	11	24,536,428	24,472,028
Reserves	11	3,082,077	3,046,457
Deficit		(16,603,559)	(16,454,461)
Accumulated other comprehensive loss		(1,573,960)	(1,175,741)
		9,440,986	9,888,283
		\$ 9,677,464	\$ 10,069,859

Nature and continuance of operations (Note 1)

Commitment and contingency (Note 17)

On behalf of the Board on February 28, 2018

“Walter Henry” Director
Water Henry

“Carol Ellis” Director
Carol Ellis

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

RIVERSIDE RESOURCES INC.

(An Exploration Stage Enterprise)

Condensed Interim Consolidated Statements of Operations and Comprehensive Loss for the three months ended December 31,
(Unaudited - Expressed in Canadian Dollars)

	Note	2017	2016
Expenses			
Consulting fees	12	\$ 60,283	\$ (5,967)
Depreciation	8	5,824	5,772
Directors' fees	12	12,000	15,000
Foreign exchange loss		58,394	5,840
General and administration		24,154	17,428
Investor relations	12	50,942	49,853
Professional fees		26,197	19,143
Property investigation and evaluation	12	29,578	45,681
Rent		41,625	38,192
Share-based payments	11	35,620	6,248
Finance income		(6,214)	(1,041)
Other income		(7,590)	(37,829)
Realized and unrealized (gain) loss on short-term investments	5	(56,913)	14,714
Recovery on exploration and evaluation assets	9 (b)(g)(k)(l)	(124,802)	-
Net loss for the period		(149,098)	(173,034)
Foreign exchange movements		(398,222)	(182,099)
Comprehensive loss for the period		(547,320)	(355,133)
Loss per share – basic and diluted		\$ (0.00)	\$ (0.00)
Weighted average number of common shares outstanding			
– basic and diluted		44,324,313	37,409,778

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

RIVERSIDE RESOURCES INC.

(An Exploration Stage Enterprise)

Condensed Interim Consolidated Statements of Cash Flows for the three months ended December 31,

(Unaudited - Expressed in Canadian Dollars)

	Note	2017	2016
OPERATING ACTIVITIES			
Net loss for the period		\$ (149,098)	\$ (173,034)
Items not involving cash			
Depreciation	8	5,824	5,772
Performance bonus shares	11	64,400	-
Share-based payments	11	35,620	6,248
Unrealized gain on short-term investments		(56,913)	14,714
Recovery on exploration and evaluation assets		(124,802)	-
Change in non-cash working capital items:			
Prepaid expenses		4,513	6,713
Receivables		(27,743)	(51,951)
Accounts payable and accrued liabilities		37,882	(23,499)
		(210,317)	(215,037)
INVESTING ACTIVITIES			
Purchase of equipment	8	-	(34,290)
Exploration advances – accounts payable and accrued liabilities		141,822	(151,068)
Exploration and evaluation assets		71,067	(256,884)
Short-term investments		-	650,000
		212,889	207,758
Effect of foreign exchange on cash and cash equivalents		(393,314)	4,884
Increase in cash and cash equivalents		(390,742)	(2,395)
Cash and cash equivalents, beginning of the period		3,918,999	3,690,714
Cash and cash equivalents, end of the period		\$ 3,528,257	\$ 3,688,319

Supplemental disclosures with respect to cash flows (Note 14)

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

RIVERSIDE RESOURCES INC.

(An Exploration Stage Enterprise)

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

(Unaudited - Expressed in Canadian Dollars)

		Capital Stock				Accumulated other comprehensive loss	Total
	Note	Shares	Amount	Reserves	Deficit		
Balance at September 30, 2016		37,409,778	\$ 20,980,091	\$ 2,780,005	\$ (15,770,270)	\$ (1,083,353)	\$ 6,906,473
Issued for:							
Share-based payments	11	-	-	6,248	-	-	6,248
Income for the period		-	-	-	(173,034)	-	(173,034)
Foreign exchange movements		-	-	-	-	(182,099)	(182,099)
Balance at December 31, 2016		37,409,778	20,980,091	2,786,253	(15,943,304)	(1,265,452)	6,557,588
Balance at September 30, 2017		44,179,313	24,472,028	3,046,457	(16,454,461)	(1,175,741)	9,888,283
Issued for:							
Performance bonus shares	11	230,000	64,400	-	-	-	64,400
Share-based payments	11	-	-	35,620	-	-	35,620
Loss for the period		-	-	-	(149,098)	-	(149,098)
Foreign exchange movements		-	-	-	-	(398,219)	(398,219)
Balance at December 31, 2017		44,409,313	\$ 24,536,428	\$ 3,082,077	\$ (16,603,559)	\$ (1,573,960)	\$ 9,440,986

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

RIVERSIDE RESOURCES INC.

(An Exploration Stage Enterprise)

Notes to the Condensed Interim Consolidated Financial Statements for the three months ended December 31, 2017

(Unaudited - Expressed in Canadian Dollars)

1. Nature and continuance of operations

Riverside Resources Inc. (the “Company”) is a mineral exploration and evaluation company operating as a prospect generator listed on the TSX Venture Exchange under the symbol “RRI” and is engaged in the acquisition, exploration and evaluation of exploration and evaluation assets in the Americas including Canada, the United States and Mexico.

The Company’s head office address is 550 – 800 West Pender Street, Vancouver, British Columbia, Canada V6C 1J8. The Company’s registered and records office address is 1500 – 1055 West Georgia Street, Vancouver, British Columbia, Canada V6C 2V6.

The Company’s ability to continue operations is uncertain and is dependent upon the ability of the Company to obtain necessary financing to meet the Company’s liabilities and commitments as they become payable, acquiring assets or a business, and the ability to generate future profitable production or operations or sufficient proceeds from the disposition thereof. The outcome of these matters cannot be predicted at this time. The consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations. Management believes that the Company has sufficient working capital to maintain its operations and activities for the next fiscal year.

The condensed interim consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) for interim information, specifically International Accounting Standards (“IAS”) 34 - *Interim Financial Reporting*. In addition, the condensed interim consolidated financial statements have been prepared using interpretations issued by the International Financial Reporting Interpretation Committee (“IFRIC”) and the same accounting policies and methods of their application as the most recent annual financial statements of the Company. These condensed interim consolidated financial statements do not include all disclosures normally provided in the annual financial statements and should be read in conjunction with the Company’s audited financial statements for the year ended September 30, 2017. In management’s opinion, all adjustments necessary for fair presentation have been included in these condensed interim consolidated financial statements. Interim results are not necessarily indicative of the results expected for the year ended September 30, 2018.

2. Basis of presentation

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

3. Statement of compliance

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

RIVERSIDE RESOURCES INC.

(An Exploration Stage Enterprise)

Notes to the Condensed Interim Consolidated Financial Statements for the three months ended December 31, 2017

(Unaudited - Expressed in Canadian Dollars)

4. Significant accounting policies

Principles of consolidation

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

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

New 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 15: New standard that replaces existing revenue requirements IAS 11, IAS 18, IFRIC 13, IFRIC 18 and SIC 31 for measurement, recognition, and disclosure of revenues; 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.

5. Short-term investments

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

	December 31, 2017			September 30, 2017		
	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	\$ 3,915
Croesus Gold Corp. ⁽¹⁾	3,000,000	300,000	650,000	3,000,000	300,000	650,000
Guerrero Exploration Inc.	1,926,000	343,049	-	1,926,000	343,049	-
Viridium Pacific Group Ltd. ⁽²⁾	242,350	763,030	312,631	242,350	763,030	130,995
E3 Metals Corp. ⁽³⁾	55,087	160,667	27,544	55,087	160,667	20,382
Sierra Madre Developments Inc. ⁽⁴⁾	12,503,218	1,103,791	-	12,503,218	1,103,791	-
Silver Viper Minerals Corp.	1,000,000	250,000	170,000	1,000,000	250,000	300,000
		\$ 2,931,557	\$ 1,162,205		\$ 2,931,557	\$ 1,105,292

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Notes to the Condensed Interim Consolidated Financial Statements for the three months ended December 31, 2017

(Unaudited - Expressed in Canadian Dollars)

5. Short-term investments (cont'd...)

- (1) During the year ended September 30, 2017, the Company sold 3,000,000 shares of Croesus Gold Corp., a private company, for \$650,000, which provided the basis of the fair value measurement of Croesus Gold Corp. shares as at September 30, 2017.
- (2) Viridium Pacific Group Ltd. (formerly Morro Bay Resources Ltd.) had a 10:1 share consolidation on May 15, 2017 and a 3.603457:1 share consolidation on September 22, 2017.
- (3) E3 Metals Corp. was formerly named Savannah Gold Corp. and consolidated its common shares on the basis of five old shares for one new share on March 3, 2017.
- (4) The Company holds approximately 23.2% of the issued and outstanding shares of Sierra Madre Developments Inc. ("Sierra Madre"). The presumption that the Company has significant influence by holding 20% or more of the voting power through its common share holdings in Sierra Madre is overcome due to the fact that the Company has no representation on the board of directors, and is not involved in policy-making processes, there is no interchange of managerial personnel, and there is no provision of essential technical information. As a result, the investment is carried on the statement of financial position at fair value with changes in fair value recognized in the profit or loss. The common shares of Sierra Madre are suspended from trading.

6. Receivables

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

	December 31, 2017	September 30, 2017
GST recoverable amounts in Canada	\$ 19,637	\$ 20,794
IVA recoverable amounts in Mexico	443,963	413,407
Land taxes recovery in Mexico	21,654	23,310
	<u>\$ 485,254</u>	<u>\$ 457,511</u>

7. Prepaid expenses

The breakdown of prepaid expenses is as follows:

	December 31, 2017	September 30, 2017
Conferences and courses	\$ 18,269	\$ 19,394
Expense advances	32,447	29,696
Insurance	15,646	21,640
Rent	1,895	2,040
	<u>\$ 68,257</u>	<u>\$ 72,770</u>

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Notes to the Condensed Interim Consolidated Financial Statements for the three months ended December 31, 2017

(Unaudited - Expressed in Canadian Dollars)

8. Equipment

	Computer hardware	Exploration equipment	Furniture & fixtures	Vehicles	TOTAL
Cost					
Balance at September 30, 2016	\$ 82,168	\$ 124,963	\$ 34,302	\$ 92,308	\$ 333,741
Additions	3,619	-	-	34,290	37,909
Disposals	-	-	(462)	-	(462)
Foreign exchange movement	168	1,394	281	1,801	3,644
Balance at September 30, 2017	\$ 85,955	\$ 126,357	\$ 34,121	\$ 128,399	\$ 374,832
Foreign exchange movement	(933)	(7,912)	(1,595)	(9,124)	(19,584)
Balance at December 31, 2017	\$ 85,002	\$ 118,445	\$ 32,526	\$ 119,275	\$ 335,248
Accumulated depreciation					
Balance at September 30, 2016	\$ (79,144)	\$ (83,482)	\$ (23,430)	\$ (76,576)	\$ (262,632)
Depreciation	(2,182)	(8,397)	(2,196)	(11,541)	(24,316)
Disposals	-	-	462	-	462
Foreign exchange movement	(155)	(960)	(187)	(940)	(2,242)
Balance at September 30, 2017	\$ (81,481)	\$ (92,839)	\$ (25,351)	\$ (89,057)	\$ (288,728)
Depreciation	(502)	(1,645)	(432)	(3,246)	(5,825)
Foreign exchange movement	927	6,085	1,181	6,486	14,680
Balance at December 31, 2017	\$ (81,056)	\$ (88,399)	\$ (24,602)	\$ (85,817)	\$ (279,873)
Net book value					
Balance at September 30, 2017	\$ 4,474	\$ 33,518	\$ 8,770	\$ 39,342	\$ 86,104
Balance at December 31, 2017	\$ 3,946	\$ 30,046	\$ 7,924	\$ 33,458	\$ 75,375

RIVERSIDE RESOURCES INC.

(An Exploration Stage Enterprise)

Notes to the Condensed Interim Consolidated Financial Statements for the three months ended December 31, 2017

(Unaudited - Expressed in Canadian Dollars)

9. Exploration and evaluation assets

For the period ended December 31, 2017

	Penoles Mexico	Tajitos Mexico	Clemente Mexico	La Silla Mexico	Glor Mexico	Bacoachi Mexico	Thor Mexico	Cecilia Mexico	Teco Mexico	Flute Canada	Lennac Canada	Total
Acquisition costs	\$ 14,629	\$ 6,349	\$ -	\$ 14,679	\$ -	\$ 503	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 36,160
Exploration costs:												
Access	55	-	-	-	-	597	-	-	-	-	-	652
Assaying	-	-	-	-	-	-	-	-	-	-	-	-
Field & camp costs	6,996	303	100	1,931	-	2,013	-	-	-	-	-	11,343
Geological consulting	85,675	14,747	-	23,601	49,845	12,570	-	-	-	-	-	186,438
Transport & support	13,396	3,256	448	3,377	3,169	4,358	-	-	-	-	-	28,004
Total current exploration costs	106,122	18,306	548	28,909	53,014	19,538	-	-	-	-	-	226,437
Professional & other fees:												
Professional consulting	11,824	3,230	-	3,694	3,000	2,190	-	-	-	-	-	23,938
Legal fees	3,689	7,397	-	-	-	435	-	-	-	-	-	11,521
Others	606	629	-	598	34	-	-	-	-	-	-	1,867
Total current professional & other fees	16,119	11,256	-	4,292	3,034	2,625	-	-	-	-	-	37,326
Total costs incurred during the period	136,870	35,911	548	47,880	56,048	22,666	-	-	-	-	-	299,923
Balance, Opening	1,015,386	2,054,953	277,916	232,406	206,074	6,216	9,766	513,020	71,985	6,677	9,259	4,403,658
Recoveries	(64,430)	-	(50,000)	-	-	-	-	-	-	-	-	(114,430)
Foreign exchange movements	(254,016)	(105,387)	(21,284)	(7,736)	(3,792)	(1,352)	2,814	117,318	16,875	-	-	(256,560)
Balance, End of the period	\$ 833,810	\$ 1,985,477	\$ 207,180	\$ 272,550	\$ 258,330	\$ 27,530	\$ 12,580	\$ 630,338	\$ 88,860	\$ 6,677	\$ 9,259	\$ 4,332,591
Cumulative costs:												
Acquisition	\$ 3,850,283	\$ 814,619	\$ 197,917	\$ 44,674	\$ 52,203	\$ 4,551	\$ -	\$ 128,959	\$ 31,227	\$ -	\$ -	\$ 5,124,433
Exploration	1,458,608	1,198,704	367,718	215,266	164,241	21,751	6,831	322,330	40,103	4,300	7,507	3,807,359
Professional & other fees	658,984	251,273	142,900	23,462	45,274	2,625	3,095	67,459	1,024	2,377	1,752	1,200,225
Recoveries	(4,383,467)	-	(444,473)	-	-	-	-	-	-	-	-	(4,827,940)
Foreign exchange movements	(750,598)	(279,119)	(56,882)	(10,852)	(3,388)	(1,397)	2,654	111,590	16,506	-	-	(971,486)
	\$ 833,810	\$ 1,985,477	\$ 207,180	\$ 272,550	\$ 258,330	\$ 27,530	\$ 12,580	\$ 630,338	\$ 88,860	\$ 6,677	\$ 9,259	\$ 4,332,591

RIVERSIDE RESOURCES INC.

(An Exploration Stage Enterprise)

Notes to the Condensed Interim Consolidated Financial Statements for the three months ended December 31, 2017

(Unaudited - Expressed in Canadian Dollars)

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

For the year ended September 30, 2017

	Penoles Mexico	Tajitos Mexico	Clemente Mexico	La Silla Mexico	Gor Mexico	Bacoachi Mexico	Thor Mexico	Cecilia Mexico	Teco Mexico	Flute Canada	Lennac Canada	Total
Acquisition costs	\$ 377,817	\$ 43,976	\$ 92,838	\$ 2,171	\$ 34,598	\$ -	\$ -	\$ 128,959	\$ 31,227	\$ -	\$ -	\$ 711,586
Exploration costs:												
Access	-	6,930	-	-	-	-	6,327	21,491	-	-	-	34,748
Assaying	938	5,704	575	1,543	-	-	-	13,938	-	-	-	22,698
Field & camp costs	28,818	25,009	76	5,050	-	-	-	20,729	13,965	-	-	93,647
Geological consulting	188,232	206,907	14,200	79,848	62,253	1,061	504	212,730	12,702	3,600	7,350	789,387
Transport & support	58,840	63,071	1,262	24,263	18,122	-	-	53,442	13,436	-	-	232,436
Total current exploration costs	276,828	307,621	16,113	110,704	80,375	1,061	6,831	322,330	40,103	3,600	7,350	1,172,916
Professional & other fees:												
Professional consulting	95,709	23,388	24,500	12,571	33,000	-	3,095	55,585	1,024	-	-	248,872
Legal fees	10,611	22,874	11,967	-	-	-	-	8,853	-	-	-	54,305
Others	23,264	2,009	-	692	2,714	-	-	3,021	-	252	1,752	33,704
Total current professional & other fees	129,584	48,271	36,467	13,263	35,714	-	3,095	67,459	1,024	252	1,752	336,881
Total costs incurred during the year	784,229	399,868	145,418	126,138	150,687	1,061	9,926	518,748	72,354	3,852	9,102	2,221,383
Balance, Opening	186,761	1,639,659	499,535	106,188	54,526	5,071	-	-	-	2,825	157	2,494,722
Recoveries	-	-	(371,416)	-	-	-	-	-	-	-	-	(371,416)
Foreign exchange movements	44,396	15,426	4,379	80	861	84	(160)	(5,728)	(369)	-	-	58,969
Balance, End of the year	\$ 1,015,386	\$ 2,054,953	\$ 277,916	\$ 232,406	\$ 206,074	\$ 6,216	\$ 9,766	\$ 513,020	\$ 71,985	\$ 6,677	\$ 9,259	\$ 4,403,658
Cumulative costs:												
Acquisition	\$ 3,835,654	\$ 808,270	\$ 197,917	\$ 29,995	\$ 52,203	\$ 4,048	\$ -	\$ 128,959	\$ 31,227	\$ -	\$ -	\$ 5,088,273
Exploration	1,352,486	1,180,398	367,170	186,357	111,227	2,213	6,831	322,330	40,103	4,300	7,507	3,580,922
Professional & other fees	642,865	240,017	142,900	19,170	42,240	-	3,095	67,459	1,024	2,377	1,752	1,162,899
Recoveries	(4,319,037)	-	(394,473)	-	-	-	-	-	-	-	-	(4,713,510)
Foreign exchange movements	(496,582)	(173,732)	(35,598)	(3,116)	404	(45)	(160)	(5,728)	(369)	-	-	(714,926)
	\$ 1,015,386	\$ 2,054,953	\$ 277,916	\$ 232,406	\$ 206,074	\$ 6,216	\$ 9,766	\$ 513,020	\$ 71,985	\$ 6,677	\$ 9,259	\$ 4,403,658

RIVERSIDE RESOURCES INC.

(An Exploration Stage Enterprise)

Notes to the Condensed Interim Consolidated Financial Statements for the three months ended December 31, 2017

(Unaudited - Expressed in Canadian Dollars)

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

Title to exploration and evaluation asset interests involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral claims. The Company has investigated title to all of its exploration and evaluation asset interests and, to the best of its knowledge, title to all of its interests are in good standing. The exploration and evaluation asset interests in which the Company has committed to earn an interest are located in Mexico, the United States, and Canada.

The terms and commitments of the Company with respect to its exploration and evaluation assets are subject to change if and when the Company and its partners mutually agree to new terms and conditions.

(a) Peñoles, Durango, Mexico

The Company owns 100% of the Peñoles Property, a gold-silver project, subject to a 2% NSR payable to the underlying concession holder.

During the 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, subject to certain future work commitments.

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 (received during the year ended September 30, 2017). At no time while owning Morro Bay shares, was the Company considered to have significant influence over Morro Bay.

(b) Tajitos, Sonora, Mexico

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

(c) Clemente, Sonora, Mexico

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

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

⁽¹⁾ Option payments were received on December 4, 2017

On February 2, 2017, the Company received \$15,822 in cash from Silver Viper for reimbursement of Clemente mining taxes from January to September 2017.

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

(d) La Silla, Sinaloa, Mexico

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

(e) Glor, Sonora, Mexico

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

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

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

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

(f) Bacoachi, Sonora, Mexico

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

(g) Thor Project under Antofagasta Exploration Alliance, Sonora, Mexico

Thor is a porphyry copper project, located in Sonora, Mexico. Antofagasta Investment Company Limited ("Antofagasta") agreed to fund up to US \$500,000 for a phase I exploration program on the project. Management fees are earned on exploration programs where the Company acts as the operator. During the year ended September 30, 2017, \$54,773 (2016 - \$48,652) of management fees were earned in relation to the Thor Project and recorded as a reduction in consulting fees.

On June 1, 2017, Antofagasta elected not to complete the \$5,000,000 in exploration expenditures required to earn a 65% interest in the Thor Project. As a result, the Company regained a 100% interest in the Thor Copper Project.

(h) Cecilia, Sonora, Mexico

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

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

(h) Cecilia, Sonora, Mexico (cont'd)

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

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

(i) Teco, Sonora, Mexico

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

(j) Antofagasta Exploration Alliance, British Columbia, Canada

Flute and Lennac Projects

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

10. Accounts payable and accrued liabilities

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

	December 31, 2017	September 30, 2017
Payables to vendors	\$ 129,825	\$ 91,943
Exploration advances	106,653	89,633
	<u>\$ 236,478</u>	<u>\$ 181,576</u>

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11. Capital stock and reserves

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

Issued and outstanding

Shares issued for the three months ended December 31, 2017

On November 3, 2017, the Company issued 230,000 bonus shares at fair value of \$64,400 to certain executive officers and consultants of the Company in accordance with the Company's shareholder approved bonus share plan.

Shares issued for the year ended September 30, 2017

- (a) On January 30, 2017, 105,000 options were exercised for gross proceeds of \$22,100.
- (b) On January 30, 2017, the Company issued 55,000 bonus shares at a fair value of \$24,475 to certain executive officers and consultants of the Company in accordance with the Company's shareholder approved bonus share plan.
- (c) On March 15, 2017, the Company completed a non-brokered private placement consisting of 6,257,367 units at a price of \$0.55 per unit for gross proceeds of \$3,441,552. As part of the financing, the Company issued 152,168 additional units as finders' fees with a fair value of \$83,692 recorded as the share issuance costs, with 149,168 units issued on April 24, 2017. Each unit consisted of one common share and one half of one common share purchase warrant. Each whole common share purchase warrant is exercisable into one common share for a period of two years from closing at a price of \$0.85 per share. The term of the warrants is subject to an accelerated exercise provision.
- (d) On May 3, 2017, the Company issued 200,000 shares valued at \$92,000 for the Cecilia Project (Note 9(h)).

Share purchase and finders' warrants

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

As at December 31, 2017, the following share purchase warrants were outstanding and exercisable:

Expiry date (mm/dd/yyyy)	Number of warrants outstanding	Weighted average remaining life in years	Exercise price
03/15/2019	3,130,183	1.20	\$ 0.85
04/24/2019	74,584	1.31	\$ 0.85
	3,204,767	1.46	\$ 0.85

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, 2017, replaces the preceding plan, and the number of bonus shares that may be issued under the Bonus Plan is 400,000 common shares. During the three months ended December 31, 2017, 230,000 (September 30, 2017 - 55,000) bonus shares were issued under this plan.

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

Stock options

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

Share-based payments relating to options vested during the three months ended December 31, 2017, using the Black-Scholes option pricing model was \$35,620 (September 31, 2017 - \$277,283), which was recorded as reserves on the statements of financial position and as share-based payment expense in profit or loss. The associated share-based payment expense for the options granted during the year was calculated based on the following weighted average assumptions:

	2017	2016
Forfeiture rate	4.67 %	14 %
Estimated risk-free rate	1.21 %	0.66 %
Expected volatility	80.37 %	72.77 %
Estimated annual dividend yield	0.00 %	0.00 %
Expected life of options	5.00 years	5.00 years
Fair value per option granted	\$ 0.30	\$ 0.09

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, 2016	2,191,000	\$ 0.32
Forfeited	(160,000)	\$ 0.45
Exercised	(105,000)	\$ 0.21
Granted	1,070,000	\$ 0.42
Outstanding options, September 30, 2017	2,996,000	\$ 0.36
Forfeited	(525,000)	\$ 0.65
Granted	760,000	\$ 0.28
Outstanding options, December 31, 2017	3,231,000	\$ 0.22

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

Stock options (cont'd...)

On November 3, 2017, the Company granted 760,000 incentive stock options (the "Options") to certain Directors, Officers and Consultants of the Company. The Options are exercisable at \$0.28 per share for a period of five years from the date of grant. Options granted to individuals in their capacity as a Director vest in three equal installments over 18 months and Options granted to Officers and Consultants vest in four equal installments over 12 months.

On December 14, 2017, 525,000 stock options, expired unexercised.

As at December 31, 2017, the Company has outstanding stock options exercisable as follows:

Expiry date (mm/dd/yyyy)	Number of options outstanding	Weighted average remaining life in years	Exercise price	Number of options exercisable
11/14/2019	761,000	1.87	\$ 0.27	761,000
01/07/2021	725,000	3.02	\$ 0.15	725,000
12/16/2021	985,000	3.96	\$ 0.42	885,000
11/03/2022	760,000	4.84	\$ 0.28	-
	3,231,000	2.33		2,371,000

12. Related party transactions

The Company entered into the following transactions with related parties:

Payee	Nature of transactions	Period ending December 31	Fees (\$)	Shares (\$)	Amount payable at December 31 (\$)
Arriva Management Inc.	Management and consulting fees (i)	2017	50,370	Nil	20,370
		2016	47,400	Nil	13,740
GSBC Financial Management Inc.	Management and consulting fees (i)	2017	24,000	Nil	Nil
		2016	42,501	Nil	Nil
Ronald Burk	Consulting fees (i)	2017	29,204	Nil	Nil
		2016	45,000	Nil	Nil
English Bay Capital	Consulting fees (i)	2017	11,500	Nil	3,413
		2016	50,000	Nil	Nil
Michael Doggett*	Director fees	2017	Nil	Nil	Nil
		2016	3,000	Nil	3,000
Brian Groves	Director fees	2017	3,000	Nil	Nil
		2016	3,000	Nil	Nil
James Clare	Director fees	2017	3,000	Nil	Nil
		2016	3,000	Nil	3,000
Carol Ellis	Director fees	2017	3,000	Nil	Nil
		2016	3,000	Nil	Nil
Walter Henry	Director fees	2017	3,000	Nil	Nil
		2016	3,000	Nil	Nil

*Michael Doggett did not stand for re-election at the Company's AGM on March 2, 2017.

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12. Related party transactions (cont'd...)

At December 31, 2017, the amount payable to a company controlled by an officer of the Company was \$nil (September 31, 2017 - \$541) for expense reimbursements.

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers. The remuneration of directors and key management personnel during the three months ended December 31, 2017 and 2016 are as follows:

	2017	2016
Directors' fees	\$ 12,000	\$ 15,000
Management and consulting fees (i)	120,574	184,901
Performance bonus shares	63,000	-
Share-based payments	<u>212,593</u>	<u>5,759</u>
	<u>\$ 408,167</u>	<u>\$ 205,660</u>

(i) Management and consulting fees of the key management personnel for the period were allocated as follows: \$32,500 (2016 - \$40,000) expensed to consulting fees, \$11,500 (2016 - \$7,000) expensed to investor relations, \$76,574 (2016 - \$115,101) capitalized to exploration and evaluation assets, \$nil (2016 - \$12,000) expensed to property investigation and evaluation, and \$nil (2016 - \$10,800) capitalized to exploration work performed for alliances that will be reimbursed.

13. Segmented information

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

	December 31, 2017	September 30, 2017
Equipment		
Canada	\$ 12,795	\$ 13,737
Mexico	<u>62,580</u>	<u>72,367</u>
	<u>75,375</u>	<u>86,104</u>
Exploration and evaluation assets		
Canada	15,936	15,936
Mexico	<u>4,316,655</u>	<u>4,387,722</u>
	<u>4,332,591</u>	<u>4,403,658</u>
Total	<u>\$ 4,407,966</u>	<u>\$ 4,489,762</u>

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14. Supplemental disclosure with respect to cash flows

	December 31, 2017	September 30, 2017
Cash	\$ 2,455,377	\$ 2,851,255
Cash equivalents	1,072,880	1,067,744
	3,528,257	3,918,999

The significant non-cash transactions for the three months ended December 31, 2017 were as follows:

- The Company issued 230,000 common shares at a value of \$64,400 to certain executive officers and consultants in accordance with the Company's bonus share plan. The amount was capitalized to exploration and evaluation assets.
- Included in accounts payable was \$19,400 (September 30, 2017 - \$8,650) in exploration and evaluation asset expenditures.

The significant non-cash transactions for the year ended September 30, 2017 were as follows:

- The Company issued 55,000 common shares at a value of \$24,475 to certain executive officers and consultants in accordance with the Company's bonus share plan. The amount was capitalized to exploration and evaluation assets.
- Included in accounts payable was \$8,650 (September 30, 2016 - \$1,465) in exploration and evaluation asset expenditures.
- The Company received 1,000,000 Silver Viper shares valued at \$250,000 as exploration and evaluation asset recoveries (Note 9(c)).
- The Company issued 200,000 shares valued at \$92,000 for Cecilia Project (Note 9(h)).
- The Company issued 55,000 common shares at a value of \$24,475 to certain executive officers and consultants in accordance with the Company's bonus share plan. The amount was capitalized to exploration and evaluation assets.
- Included in accounts payable was \$8,650 (September 30, 2016 - \$1,465) in exploration and evaluation asset expenditures.
- The Company issued 152,168 finders' units issued with a fair value of \$83,692 as share issuance costs.

15. Capital management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, 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.

There were no changes in the Company's approach to capital management during the three months ended December 31, 2017. The Company is not currently subject to externally imposed capital requirements.

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16. Financial instruments

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

The fair value of the Company's receivables, accounts payable and accrued liabilities approximate carrying value, which is the amount recorded on the statements of financial position. The fair value of the Company's other financial instruments, cash and cash equivalents and short-term investments, under the fair value hierarchy are based on level 1 quoted prices in active markets for identical assets and liabilities.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's cash and cash equivalents are held with major financial institutions in Canada and Mexico which management believes the risk of loss to be remote. Receivables consist of tax refunds from the Federal Government of Canada and Mexico, in which regular collection occurs, and land tax recovery. The Company believes its credit risk is equal to the carrying value of this balance.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2017, the Company had a cash and cash equivalents of \$3,528,257 to settle current liabilities of \$236,478. The Company believes it has sufficient funds to meet its current liabilities as they become due.

Interest rate risk

The Company has interest-bearing cash balances. The interest earned on cash balances approximates fair value rates, and the Company is not at a significant risk to fluctuating interest rates. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As of December 31, 2017, the Company had investments in short-term deposit certificates of \$1,162,205.

Price risk

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

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

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16. Financial instruments (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 loss for the year by \$542,473.

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 \$76,831.

17. Commitment and Contingency

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 is \$74,987 in 2018.

Contingency

During the three months ended December 31, 2017, the Company initiated a lawsuit against the Government of Mexico, regarding an assessment made by the Mexican tax authorities that deemed funds provided by the Company to its wholly-owned subsidiary Riverside Resources Mexico S.A. de C.V. in previous fiscal year to be income. The position of the Mexican tax authority is that there are income taxes and value added taxes payable in that year. The Company believes this position is completely without merit. The Company has not accrued any amount associated with the position of the Mexican tax authority as its subsidiary has approximately 10 years of unused tax losses and it is unclear what the tax payable position would be, if any, in the event the proceedings are concluded against the Company's favor.