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**RILEY RESOURCES CORP.  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

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**TABLE OF CONTENTS**

|  |    |
|--|----|
| Description of Business.....                                     | 2  |
| Results of Operations for the Year Ended December 31, 2019 ..... | 2  |
| Liquidity, Cash Flows and Capital Resources.....                 | 2  |
| Annual Financial Information.....                                | 3  |
| Quarterly Financial Information.....                             | 4  |
| Related Party Disclosures.....                                   | 4  |
| Off-Balance Sheet Arrangements .....                             | 4  |
| Commitments .....  | 4  |
| Conflicts of Interest .....                                      | 4  |
| Outstanding Share Data.....                                      | 5  |
| Industry Trends .....  | 5  |
| Events after the Reporting Period.....                           | 6  |
| Critical Accounting Estimates.....                               | 6  |
| Significant Accounting Policies .....                            | 6  |
| Risks and Uncertainties .....                                    | 7  |
| Corporate Governance.....  | 9  |
| Cautionary Statement .....                                       | 9  |
| Other Information .....  | 10 |

## Background

Riley Resources Corp. (the “Company” or “Riley”) provides this Management Discussion and Analysis (“MD&A”) of financial position and results of operations as of April 23, 2020. This MD&A should be read in conjunction the audited financial statements for the years ended December 31, 2019 and 2018 which have been prepared in accordance with International Financial Reporting Standards (“IFRS”). Except as otherwise disclosed, all dollar figures included therein and in the following MD&A are quoted in Canadian dollars. The Company has prepared this MD&A following the requirements of National Instrument 51-102, Continuous Disclosure Obligations.

## Description of Business

Riley Resources Corp. (the “Company”) was incorporated under the Business Corporations Act (British Columbia) on June 3, 2011. The Company’s office is located at Suite 2390 - 1055 West Hastings Street, Vancouver, British Columbia, V6E 2E9. On January 8, 2015, the Company completed its initial public offering of 2,000,000 common shares at \$0.10 per share for gross cash proceeds of \$200,000 and listed its common shares on the TSX Venture Exchange (“TSXV”, or the “Exchange”) under the trading symbol RLY.

On October 31, 2016, the Company entered into an exploration and option agreement with MSM Resource L.L.C. (“MSM”) to acquire MSM’s undivided interest in the East Manhattan Wash property. The transaction received final approval of the TSXV on March 29, 2017. As a result, the Company became a Tier 2 TSXV mining issuer.

The Company is a precious metals exploration company engaged in the acquisition and exploration of mineral properties. The Company currently has an interest in an exploration property in the United States of America. To date, no mineral development projects have been completed and no commercial development or production has commenced. Based on the information available to date, the Company has not yet determined whether its mineral property contained economically recoverable reserves. The recoverability of the amounts shown for exploration and evaluation costs is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete its exploration and development programs and ultimately upon future profitable production.

## Results of Operations for the Year Ended December 31, 2019

For the year ended December 31, 2019, the Company recorded a net loss of \$122,253 versus a net loss of \$88,417 incurred during the year ended December 31, 2018. The increase in net loss during the year ended December 31, 2019 is due primarily from an increase in office supplies and rent (\$14,194) and increase in share-based payments (\$9,523). The increase in rent and office supplies is due from an increase in rent expense beginning August 2018. The increase in share-based payments was due from the timing of stock options grants and their vesting. During the year ended December 31, 2019, 100,000 options were granted.

## Liquidity, Cash Flows and Capital Resources

|   | Year Ended<br>December 31,<br>2019 | Year Ended<br>December 31,<br>2018 |
|---|------------------------------------|------------------------------------|
| <b>Sources and Uses of Cash</b>                             |                                    |                                    |
| Cash used in operations prior to changes in working capital | \$ (100,214)                       | \$ (75,901)                        |
| Changes in non-cash working capital                         | (7,758)                            | 13,070                             |
| Cash used in operating activities                           | (107,972)                          | (62,831)                           |
| Cash used in investing activities                           | (26,373)                           | (8,751)                            |
| Cash provided by (used in) financing activities             | -                                  | -                                  |
| Change in cash  | \$ (134,345)                       | \$ (71,582)                        |

## Operating Activities

For the year ended December 31, 2019, cash used in operating activities, prior to changes in non-cash working capital, was \$100,214 compared to \$75,901 used during the year ended December 31, 2018. The decrease in cash used is due primarily to the variances as outlined under the “*Results of Operations for the Year Ended December 31, 2019*” section. For the year ended December 31, 2019, non-cash working capital increased by \$7,758 as compared to a decrease of \$13,070 for the year ended December 31, 2018. The increase in non-cash working capital is primarily the result of a decrease in accounts payable (\$4,944) and taxes and other receivables (\$2,583). For the year ended December 31, 2019 cash used by operating activities was \$107,972 compared to a use of \$62,831 for the year ended December 31, 2018.

## Investing Activities

For the year ended December 31, 2019, cash used in investing activities was \$26,373, which reflects expenditures on mineral property interests. For the year ended December 31, 2018, the total cash used for investing activities was \$8,751 which also reflects expenditures on mineral property interests.

At December 31, 2019, the Company had working capital of \$167,025 (December 31, 2018 - \$293,612) which consisted of current assets of cash totaling \$170,049 (December 31, 2018 - \$304,394), prepaid expenses of \$6,532 (December 31, 2018 - \$6,301), and \$5,495 (December 31, 2018 - \$2,912) in taxes and other receivables. Current liabilities include accounts payable and accrued liabilities of \$15,051 (December 31, 2018 - \$19,995).

The Company’s principal source of liquidity is cash which is raised by way of the sale of common shares from treasury. To date, the Company has relied entirely upon the sale of common shares to provide working capital to fund the administration of the Company. The Company’s access to additional capital may not be available on terms acceptable or at all. As the Company relies on equity financings to continue into the future, current market conditions could make it difficult or impossible for the Company to raise necessary funds to meet its longer-term capital requirements. If the Company is unable to obtain financing, it could seek multiple solutions including, but not limited to, credit facilities, asset sales or debenture issuances.

## **Annual Financial Information**

The financial statements have been prepared in accordance with IFRS for fiscal years 2019, 2018 and 2017, and are expressed in Canadian dollars.

|                                       | Year Ended<br>December<br>31, 2019 | Year Ended<br>December<br>31, 2018 | Year Ended<br>December<br>31, 2017 |
|---------------------------------------|------------------------------------|------------------------------------|------------------------------------|
|                                       | \$                                 | \$                                 | \$                                 |
| <b>Operations:</b>                    |                                    |                                    |                                    |
| Revenues                              | -                                  | -                                  | -                                  |
| Net income (loss)                     | (122,253)                          | (88,417)                           | (55,566)                           |
| Net income (loss) per share – Basic   | (0.01)                             | (0.01)                             | (0.01)                             |
| Net income (loss) per share – Diluted | (0.01)                             | (0.01)                             | (0.01)                             |
|                                       | \$                                 | \$                                 | \$                                 |
| <b>Balance Sheet:</b>                 |                                    |                                    |                                    |
| Working capital                       | 167,025                            | 293,612                            | 378,264                            |
| Total current assets                  | 182,076                            | 313,607                            | 385,153                            |
| Total liabilities                     | 15,051                             | 19,995                             | 6,889                              |

## Quarterly Financial Information

The following selected financial information is derived from the condensed interim financial statements of the Company prepared in accordance with IFRS.

| Quarter ended                     | December 31, 2019 | September 30, 2019 | June 30, 2019 | March 31, 2019 | December 31, 2018 | September 30, 2018 | June 30, 2018 | March 31, 2018 |
|-----------------------------------|-------------------|--------------------|---------------|----------------|-------------------|--------------------|---------------|----------------|
| Revenue                           |                   |                    | \$            | \$             | \$                | \$                 | \$            | \$             |
| Net income (loss)                 | (33,133)          | (22,897)           | (26,220)      | (40,003)       | (37,844)          | (22,883)           | (13,630)      | (14,060)       |
| Basic Earnings per share (loss)   | (0.00)            | (0.00)             | (0.00)        | (0.00)         | (0.00)            | (0.00)             | (0.00)        | (0.00)         |
| Diluted Earnings per share (loss) | (0.00)            | (0.00)             | (0.00)        | (0.00)         | (0.00)            | (0.00)             | (0.00)        | (0.00)         |

## Related Party Disclosures

As at December 31, 2019, \$2,847 (December 31, 2018 - \$10,811) of accounts payable and accrued liabilities was payable to a law firm in which a director is a partner and to a company with directors and officers in common.

As at December 31, 2019, \$1,365 (December 31, 2018 - \$Nil) of accounts receivable was receivable from a company with a director and/or officer in common.

During the year ended December 31, 2019, \$1,973 (December 31, 2018 - \$1,687) of legal expenses were incurred to a law firm in which a director is a partner. During the year ended December 31, 2019, the Company incurred rental fees and shared office expenses of \$20,848 to companies with a director and/or officer in common (December 31, 2018 - \$7,716). During the year ended December 31, 2019, the Company incurred consulting fees of \$9,000 to a company with directors and officers in common (December 31, 2018 - \$9,450).

During the year ended December 31, 2019, the Company incurred share-based payments of \$21,341 (December 31, 2018 – \$11,734) to officers and directors of the Company.

## Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

## Commitments

The Company has no commitments.

## Conflicts of Interest

The Company's directors and officers may serve as directors and/or officers, or may be associated with, other reporting companies, or have significant shareholdings in other public companies. To the extent that such other companies may participate in business or asset acquisitions, dispositions or ventures in which the Company may participate, the directors and officers of the Company may have a conflict of interest in negotiating and concluding terms respecting the transaction. If a conflict of interest arises, the Company will follow the provisions of the Business Corporations Act (British Columbia) ("Corporations Act") dealing with conflict of interest. These provisions state that where a director has such a conflict, that director must, at a meeting of the Company's directors, disclose his or her interest and refrain from voting on the matter unless otherwise permitted by the Corporations Act. In accordance with the laws of the Province of British

Columbia, the directors and officers of the Company are required to act honestly, in good faith and in the best interests of the Company.

### Outstanding Share Data

|   | Number of Shares<br>Outstanding (Diluted) |
|---|---|
| <b>Outstanding as at April 23, 2020</b>                                     | <b>10,681,755</b>                         |
| Shares reserved for issuance pursuant to share purchase options outstanding | 1,045,000                                 |
| <b>Shares outstanding - fully diluted</b>                                   | <b>11,726,755</b>                         |

As at the date of this MD&A, the Company had outstanding stock options enabling holders to acquire common shares of the Company as follows:

| Number    | Price per share | Expiry date        |
|-----------|-----------------|--------------------|
| 705,000   | \$ 0.10         | January 8, 2025    |
| 240,000   | \$0.145         | September 20, 2028 |
| 100,000   | \$ 0.15         | March 12, 2029     |
| <hr/>     |                 |                    |
| 1,045,000 |                 |                    |

### Industry Trends

Price of gold (1-year chart):



Price of gold (5-year chart):



Source : <http://www.kitco.com/>

### Events After the Reporting Period

Subsequent to the year-end, on March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus (“COVID-19”) as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and condition of the Company in future periods.

### Critical Accounting Estimates

The preparation of financial statements in conformity with IFRS requires management to apply accounting policies and make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. There is full disclosure of the Company’s critical accounting policies and accounting estimates in note 3 of the audited financial statements for the year ended December 31, 2019.

There were no changes to the accounting policies applied by the Company to each of the 2019 quarterly unaudited interim financial statements, compared to those applied by the Company to the financial statements for the year ended December 31, 2019.

### Significant Accounting Policies

Significant Accounting Policies adopted

- (i) Effective January 1, 2019, the Company adopted IFRS 16 – Leases. In January 2016, the IASB issued IFRS 16 which replaces IAS 17 – Leases and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance

lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The Company reviewed the impact of IFRS 16, and there were no changes as the Company does not have any applicable leases.

## **Risks and Uncertainties**

The Company is in the business of acquiring and exploring mineral properties. It is exposed to a number of risks and uncertainties that are common to other mineral exploration companies in the same business. The industry is capital intensive at all stages and is subject to variations in commodity prices, market sentiment, exchange rates for currency, inflation and other risks. The Company currently has no source of revenue other than interest on cash balances. The Company relies mainly on equity financing to fund exploration activities on its mineral properties.

The risks and uncertainties described in this section are not inclusive of all the risks and uncertainties to which the Company may be subject.

### Early Stage – Need for Additional Funds

The Company has no history of profitable operations and its present business is at an early stage. As such, the Company is subject to many risks common to other companies in the same business, including under-capitalization, cash shortages and limitations with respect to personnel, financial and other resources, and the lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of its early stage of operations.

### Exploration and Development

Mineral exploration and development is a 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 of insufficient size and/or grade to return a profit from production.

All of the mineral claims in which the Company has a right to acquire an interest are in the exploration stages only and are without a known body of commercial ore. Upon discovery of a mineralized occurrence, several stages of exploration and assessment are required before its economic viability can be determined. Development of the subject mineral properties would follow only if favorable results are determined at each stage of assessment. Few precious and base metal deposits are ultimately developed into producing mines.

### Operating Hazards and Risks

Mining operations involve many risks which even a combination of experience, knowledge and careful evaluation may not be able to overcome. In the course of exploration, development and production of mineral properties, certain risks, and in particular unexpected or unusual geological operating conditions including rock bursts, cave-ins, fires, flooding and earthquakes, may occur. Operations in which the Company has a direct or indirect interest are subject to all the hazards and risks normally incidental to exploration, development and production of mineral deposits, any of which could result in damage to or destruction of mines and other producing facilities, damage to life and property, environmental damage and possible legal liability for any or all damage.

Although the Company maintains liability insurance in an amount which it considers adequate, the nature of these risks is such that liabilities could exceed policy limits, in which event the Company could incur significant costs that could have a materially adverse effect upon its financial conditions.

### Foreign Currency Exchange

Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. Although the Company is considered to be in the exploration

stage and has not yet developed commercial mineral interests, the underlying market prices in Canada for minerals are impacted by changes in the exchange rate between Canadian and United States dollars. The Company has not entered into any arrangements to hedge its currency risk but does maintain cash balances within each currency.

### Supplies and Infrastructure

The Company's property interests are often located in remote, undeveloped areas and the availability of infrastructures such as surface access, skilled labor, fuel and power at an economic cost cannot be assured. These are integral requirements for exploration, production and development facilities on mineral properties. Power may need to be generated onsite.

### Metal Prices

The mining industry, in general, is intensely competitive and there is no assurance that a profitable market will exist for the sale of metals produced, even if commercial quantities of precious and/or base metals are discovered. Factors beyond the control of the Company may affect the marketability of metals discovered. Pricing is affected by numerous factors beyond the Company's control, such as international economic and political trends, global or regional consumption and demand patterns, increased production and smelter availability. There is no assurance that the price of metals recovered from any mineral deposit will be such that it can be mined at a profit.

### Title Risks

Although the Company has exercised the usual due diligence with respect to determining title to properties in which it has a material interest, there is no guarantee that title to such properties will not be challenged or impugned. The Company's mineral property interests may be subject to prior unregistered agreements, transfers or native claims, and title may be affected by undetected defects.

### Environmental Regulations, Permits and Licenses

The Company's operations are subject to various laws and regulations governing the protection of the environment, exploration, development, production, taxes, labor standards, occupational health, waste disposal, safety and other matters. Environmental legislation in Nevada provide restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailing disposal areas, which 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 statements. Environmental legislation is evolving in a direction of stricter standards and enforcement, and higher fines and penalties for non-compliance. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and their directors, officers and employees. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations. The Company intends to fully comply with all environmental regulations.

The current operations of the Company require permits from various U.S. authorities and such operations are governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labor standards, occupational health, waste disposal, toxic substances, land use, environmental, mine safety and other matters.

The Company believes that it is in compliance with all material laws and regulations which currently apply to its activities. However, there can be no assurance that all permits which the Company may require for its operations and exploration activities will be obtainable on reasonable terms, a timely basis or that such laws and regulations would not have an adverse effect on any mining project which the Company might undertake.

### Competition and Agreements with Other Parties

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

The Company may, in the future, be unable to meet its share of costs incurred under such agreements to which it is a party and it may have its interest in the properties subject to such agreements reduced as a result. Also, if other parties to such agreements do not meet their share of such costs, the Company may not be able to finance the expenditures required to complete recommended programs.

### Economic Conditions

Unfavourable economic conditions may negatively impact the Company's financial viability. Unfavourable economic conditions could also increase the Company's financing costs, decrease net income or increase net loss, limit access to capital markets and negatively impact the availability of credit facilities to the Company.

### Properties held under option

The Company's mineral exploration property is currently held under option. The Company has no ownership interest in this property until all required property expenditures and cash payments have been made. If the Company is unable to fulfill the requirements of the option agreement, it is likely that the Company would be considered in default of the agreement and the option agreement could terminate resulting in the complete loss of all expenditures and option payments made on the property to that date.

### Dependence on Management

The Company is very dependent upon the personal efforts and commitment of its existing management. To the extent that management's services would be unavailable for any reason, a disruption to the operations of the Company could result and other persons would be required to manage and operate the Company.

## **Corporate Governance**

Management of the Company is responsible for the preparation and presentation of the annual financial statements and notes thereto, MD&A and other information contained in this MD&A. Additionally, it is management's responsibility to ensure the Company complies with the laws and regulations applicable to its activities.

The Company's management is held accountable to the board of directors ("Directors"), each member of which is elected annually by the shareholders of the Company. The Directors are responsible for reviewing and approving the audited annual financial statements and MD&A. Responsibility for the review and approval of the Company's audited financial statements and MD&A is delegated by the Directors to the Audit Committee, which is comprised of 3 directors. Additionally, the Audit Committee pre-approves audit and non-audit services provided by the Company's auditors.

The external auditors are appointed annually by the shareholders to conduct an annual audit of the financial statements in accordance with IFRS. The external auditors have complete access to the Audit Committee to discuss the audit, financial reporting and related matters resulting from the annual audit, as well as assist the members of the Audit Committee in discharging its corporate governance responsibilities.

## **Cautionary Statement**

The Company's audited annual financial statements for the year ended December 31, 2019, and this accompanying MD&A contain statements that constitute "forward-looking statements" within the meaning of National Instrument 51-102, *Continuous Disclosure Obligations* of the Canadian Securities Administrators. Forward-looking statements often, but not always, are identified by the use of words such as "seek", "anticipate", "believe", "plan", "estimate", "expect", "targeting" and "intend" and statements that

an event or result “may”, “will”, “should”, “could”, or “might” occur or be achieved and other similar expressions. Forward-looking statements in this MD&A include statements regarding the Company’s future exploration plans and expenditures, the satisfaction of rights and performance of obligations under agreements to which the Company is a part, the ability of the Company to hire and retain employees and consultants and estimated administrative assessment and other expenses. The forward-looking statements that are contained in this MD&A involve a number of risks and uncertainties. As a consequence, actual results might differ materially from results forecast or suggested in these forward-looking statements. Some of these risks and uncertainties are identified under the heading “RISKS AND UNCERTAINTIES” in this MD&A. Additional information regarding these factors and other important factors that could cause results to differ materially may be referred to as part of particular forward-looking statements. The forward-looking statements are qualified in their entirety by reference to the important factors discussed under the heading “RISKS AND UNCERTAINTIES” and to those that may be discussed as part of particular forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Factors that could cause the actual results to differ include market prices, exploration success, continued availability of capital and financing, inability to obtain required regulatory approvals and general market conditions. These statements are based on a number of assumptions, including assumptions regarding general market conditions, the timing and receipt of regulatory approvals, the ability of the Company and other relevant parties to satisfy regulatory requirements, the availability of financing for proposed transactions and programs on reasonable terms and the ability of third-party service providers to deliver services in a timely manner. Forward-looking statements contained herein are made as of the date of this MD&A and the Company disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

#### **Other Information**

Additional information relating to the Company is available for viewing on SEDAR at [www.sedar.com](http://www.sedar.com).

**Approved by the Audit Committee**

**April 21, 2020**