

RIVERSIDE RESOURCES INC. CARVE-OUT

CONDENSED INTERIM CARVE-OUT FINANCIAL STATEMENTS
For the Nine Months Ended June 30, 2020

(An Exploration Stage Enterprise)
(Expressed in Canadian Dollars)
(Unaudited- Prepared by Management)

RIVERSIDE RESOURCES INC. CARVE-OUT

(An Exploration Stage Enterprise)

Condensed Interim Carve-Out Statements of Financial Position as at:

(Unaudited- Expressed in Canadian Dollars)

	Note	June 30, 2020	September 30, 2019
Assets			
Non-Current assets:			
Exploration and evaluation assets	6	\$ 1,021,113	\$ 1,360,583
		<u>\$ 1,021,113</u>	<u>\$ 1,360,583</u>
Liabilities and Equity			
Equity:			
Contributions from Riverside Resources Inc.	7	\$ 5,703,042	\$ 5,418,338
Deficit		(3,894,061)	(3,711,799)
Accumulated other comprehensive loss		(787,868)	(345,956)
		<u>\$ 1,021,113</u>	<u>\$ 1,360,583</u>

Nature and continuance of operations (Note 1)

On behalf of the Board on August 28, 2020

“Walter Henry” Director
Water Henry

“Carol Ellis” Director
Carol Ellis

The accompanying notes are an integral part of these carve-out financial statements.

RIVERSIDE RESOURCES INC. CARVE-OUT

(An Exploration Stage Enterprise)

Condensed Interim Carve-out Statements of Loss and Comprehensive Loss

(Unaudited- Expressed in Canadian Dollars)

	Three months ended June 30, 2020	Three months ended June 30, 2019	Nine months ended June 30, 2020	Nine Months ended June 30, 2019
Expenses				
Consulting fees	\$ 17,308	\$ 14,624	\$ 43,127	\$ 46,093
Director fees	1,800	1,800	5,400	6,000
Foreign exchange gain	11,505	12,334	(11,048)	518
General and administration	12,987	4,996	31,311	17,213
Investor relations	16,445	11,286	43,850	35,460
Professional fees	8,212	13,902	57,626	24,828
Rent	4,063	3,870	11,996	11,609
Net loss for the period	(72,320)	(62,812)	(182,262)	(141,721)
Foreign exchange movements	(49,556)	(42,628)	(441,912)	(48,304)
Comprehensive loss for the period	\$ (121,876)	\$ (105,440)	\$ (624,174)	\$ (190,025)

The accompanying notes are an integral part of these condensed interim carve-out financial statements.

RIVERSIDE RESOURCES INC. CARVE-OUT

(An Exploration Stage Enterprise)

Condensed Interim Carve-out Statements of Cash Flows for the nine months ended June 30,
(Unaudited- Expressed in Canadian Dollars)

	Nine months ended June 30, 2020	Nine months ended June 30, 2019
OPERATING ACTIVITIES		
Net loss for the period	\$ (182,262)	\$ (141,721)
Change in non-cash working capital items:		
Accounts payable and accrued liabilities	-	-
	(182,262)	(141,721)
INVESTING ACTIVITIES		
Exploration and evaluation assets (net of recoveries)	339,470	(68,214)
	339,470	(68,214)
FINANCING ACTIVITIES		
Contributions from Riverside Resources Inc.	284,704	258,239
Effect of foreign exchange on cash	(441,912)	(48,304)
Change in cash	-	-
Cash, beginning of the period	\$ -	\$ -
Cash, end of the period	\$ -	\$ -

The accompanying notes are an integral part of these condensed interim carve-out financial statements.

RIVERSIDE RESOURCES INC. CARVE-OUT

(An Exploration Stage Enterprise)

Condensed Interim Carve-out Statements of Changes in Equity

(Unaudited- Expressed in Canadian Dollars)

	Contributions from Riverside Resources Inc.	Deficit	Accumulated other comprehensive loss	Total
Balance at September 30, 2018	\$ 5,047,926	\$ (3,534,590)	\$ (238,779)	\$ 1,274,197
Issued for:				
Contributions from Riverside Resources Inc.	258,239	-	-	258,239
Loss for the period	-	(141,721)	-	(141,721)
Foreign exchange movements	-	-	(48,304)	(48,304)
Balance at June 30, 2019	\$ 5,306,165	\$ (3,676,311)	\$ (287,083)	\$ 1,316,199
Balance at September 30, 2019	\$ 5,418,338	\$ (3,711,799)	\$ (345,956)	\$ 1,360,583
Issued for:				
Contributions from Riverside Resources Inc.	284,704	-	-	284,704
Loss for the period	-	(182,262)	-	(182,262)
Foreign exchange movements	-	-	(441,912)	(441,912)
Balance at June 30, 2020	\$ 5,703,042	\$ (3,894,061)	\$ (787,868)	\$ 1,021,113

The accompanying notes are an integral part of these condensed interim carve-out financial statements.

RIVERSIDE RESOURCES INC. CARVE-OUT

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Notes to the Condensed Interim Carve-Out Financial Statements for the period ended June 30, 2020

(Expressed in Canadian Dollars)

1. Nature and continuance of operations

Riverside Resources Inc. Carve-Out (the “Entity”) is a mineral exploration and evaluation entity that is engaged in the acquisition, exploration and evaluation of exploration and evaluation assets in Mexico.

The Entity’s head office address is 550 – 800 West Pender Street, Vancouver, British Columbia, Canada V6C 2V6.

The Entity’s ability to continue operations is uncertain and is dependent upon the ability of the Entity to obtain necessary financing to meet the Entity’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 carve-out financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Entity be unable to continue operations.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or ability to raise funds.

2. Arrangement Agreement

During the period ended March 31st, 2020, Riverside Resources Inc. (“Riverside”) began a strategic reorganization of its exploration business.

In connection with the reorganization, the Entity (through its wholly-owned Mexican subsidiary), will complete the acquisition of the Peñoles Property from Riverside for \$3.5 million to be paid by the issuance of 17,500,000 common shares (“SpinCo Shares”) to Riverside. Riverside will then complete a share capital reorganization by way of statutory plan of arrangement (“Arrangement”) whereby Riverside will spin-out the SpinCo Shares to Riverside’s shareholders. Prior to completing the Arrangement, the Entity intends to complete a private placement to raise proceeds of \$2,000,000 by the issuance of 10,000,000 common shares at \$0.20 per share.

Upon closing of the Arrangement, but prior to completion of the private placement, the Entity will be owned exclusively by existing Riverside shareholders, keeping their identical proportion to their pre-Arrangement shareholdings of Riverside.

Closing of the Arrangement is subject to several conditions including, but not limited to, approval by Riverside shareholders, receipt of court and necessary regulatory approvals and securing the required financing.

These carve-out combined financial statements reflect the assets, liabilities, expenses and cash flows of the operations included in the exploration business to be spun out by Riverside.

3. Basis of presentation

These carve-out financial statements have been prepared on a historical cost basis, except for financial instruments classified as and measured 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.

RIVERSIDE RESOURCES INC. CARVE-OUT

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Notes to the Condensed Interim Carve-Out Financial Statements for the period ended June 30, 2020

(Expressed in Canadian Dollars)

3. Basis of presentation (continued)

The purpose of these carve-out financial statements is to provide general purpose historical financial information of the Entity in connection with the Arrangement detailed in Note 2. Therefore, these carve-out financial statements present the historical financial information of Riverside that make up the Entity, either fully, or partially, where only specifically identifiable assets and liabilities are included, and allocations of shared income and expenses of Riverside that are attributable to the Entity.

The basis of preparation for the carve-out statements of financial position, loss and comprehensive loss, cash flows and changes in equity of the Entity have been applied. The carve-out financial statements have been extracted from historical accounting records of Riverside with estimates used, when necessary, for certain allocations.

- The carve-out statements of financial position reflect the assets and liabilities recorded by Riverside which have been assigned to the Entity on the basis that they are specifically identifiable and attributable to the Entity;
- The carve-out statement of loss and comprehensive loss included a pro-rata allocation of Riverside's income and expenses incurred in each of the periods presented based on the percentage of exploration and evaluation activity on the carve-out exploration and evaluation assets, compared to the expenditures incurred on all of Riverside's exploration and evaluation assets, and based on specifically identifiable activities attributable to the Entity. The allocation of income and expense for each period presented is as follows: 2019 and 2018 - 20%. The percentages are considered reasonable under the circumstances;
- Income taxes have been calculated as if the Entity had been a separate legal entity and had filed separate tax returns for the period presented.

Management cautions readers of these carve-out financial statements that the Entity's results do not necessarily reflect what the results of operations, financial position, or cash flows would have been had the Entity been a separate entity. Further, the allocation of income and expense in these carve-out statements of loss and comprehensive loss does not necessarily reflect the nature and level of the Entity's future income and operating expenses. Riverside's investment in the Entity, presented as equity in these carve-out financial statements, includes the accumulated total loss and comprehensive loss of the Entity.

4. Statement of compliance

These condensed interim carve out 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").

5. Significant accounting policies

(a) 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 Entity is the Canadian dollar. 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*.

RIVERSIDE RESOURCES INC. CARVE-OUT

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Notes to the Condensed Interim Carve-Out Financial Statements for the period ended June 30, 2020

(Expressed in Canadian Dollars)

5. Significant accounting policies (continued)

(a) Foreign currency translation (continued)

Transactions in currencies other than the functional currency for an entity 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.

(b) Exploration and evaluation assets

Pre-exploration costs are expensed as incurred. The Entity records exploration and evaluation asset interests, which consist of the right to explore for mineral deposits, at cost. The Entity 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 Entity'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 Entity 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.

(c) Provision for environmental rehabilitation

The Entity 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 Entity'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 Entity currently does not have any significant provisions for environmental rehabilitation.

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Notes to the Condensed Interim Carve-Out Financial Statements for the period ended June 30, 2020

(Expressed in Canadian Dollars)

5. Significant accounting policies (continued)

(d) Impairment of long-lived assets

At the end of each reporting period, the Entity'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.

(e) Critical accounting estimates, judgments, and assumptions

The preparation of these carve-out financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, and contingent 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 carve-out financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the carve-out 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 carve-out 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 Entity 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 Entity 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 Entity's exploration and evaluation assets properties.

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Notes to the Condensed Interim Carve-Out Financial Statements for the period ended June 30, 2020

(Expressed in Canadian Dollars)

5. Significant accounting policies (continued)

(e) Critical accounting estimates, judgments, and assumptions (continued)

Contingencies

Contingencies are resolved only when one or more events transpire. As a result, the assessment of contingencies inherently involves estimating the outcome of future events.

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 Entity will generate taxable income in future periods in order to utilize recognized deferred tax assets;
- going concern presentation of the carve-out financial statements as discussed in Note 1, which assumes that the Entity 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 Entity requires judgment based on the factors outline in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

(f) 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.

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Notes to the Condensed Interim Carve-Out Financial Statements for the period ended June 30, 2020

(Expressed in Canadian Dollars)

5. Significant accounting policies (continued)

(g) Financial instruments

Financial assets

The Entity will now classify its financial assets in the following categories: at fair value through profit or loss (“FVTPL”), at fair value through other comprehensive income (“FVTOCI”) or at amortized cost. The determination of the classification of financial assets is made at initial recognition. Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVTPL; for other equity instruments, on the day of acquisition the Entity can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI.

The Entity’s accounting policy for each of the categories is as follows:

Financial assets at FVTPL: Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed as incurred. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets held at FVTPL are recognized in profit or loss.

Financial assets at FVTOCI: Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income (loss).

Financial assets at amortized cost: A financial asset is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the asset’s contractual cash flows are comprised solely of payments of principal and interest. They are classified as current assets or non-current assets based on their maturity date and are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

Impairment of financial assets at amortized cost: The Entity assesses all information available, including on a forward-looking basis, the expected credit losses associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Entity compares the risk of a default occurring on the asset as the reporting date, with the risk of default as at the date of initial recognition, based on all information available, and reasonable and supportive forward-looking information.

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

Financial asset or liability	IFRS 9 Classification
Accounts payable and accrued liabilities	Amortized cost

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Notes to the Condensed Interim Carve-Out Financial Statements for the period ended June 30, 2020

(Expressed in Canadian Dollars)

5. Significant accounting policies (continued)

(g) Financial instruments (continued)

Financial liabilities

The Entity classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired. The Entity'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.

Amortized cost - 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 Entity's accounts payable and accrued liabilities are classified as amortized cost.

(h) Contributions

Contributions from Riverside to the Entity are presented as part of equity. The Entity has no share capital, options or warrants, and as a result, there is no applicable share-related disclosures.

(i) Management fees

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

New Accounting Policies Adopted

The following accounting standards were adopted by the Entity effective October 1, 2019:

IFRS 16- Leases (new; replaces IAS 17)

On October 1, 2019, the Entity adopted IFRS 16, which supersedes IAS 17- Leases ("IAS 17"). The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

The Entity has assessed its monthly office rent payments and concluded that it does not meet the definition of a lease in the context of IFRS 16. As such, the adoption of the standard did not have an impact on the Entity's carve-out financial statements.

IFRIC 23 - Uncertainty over Income Tax Treatments:

On October 1, 2019, the Entity adopted IFRIC 23, which is a new standard to clarify the accounting for uncertainties in income taxes. The interpretation provides guidance and clarifies the application of the recognition and measurement criteria in IAS 12 "Income Taxes" when there is uncertainty over income tax treatments. The adoption of this standard did not have a significant impact on the Entity's carve-out financial statements.

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(Expressed in Canadian Dollars)

6. Exploration and evaluation assets

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 Entity 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 interest in which the Entity has committed to earn an interest is located in Mexico.

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

Peñoles, Durango, Mexico

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

During the nine months period ended June 30, 2020, the Entity did not receive any land taxes recovery from the Government in Mexico (F2019 - \$141,213).

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(Expressed in Canadian Dollars)

6. Exploration and evaluation assets (continued)

For the period ended	June 30, 2020	September 30, 2019
Acquisition costs	\$ 23,678	\$ 28,937
Exploration costs		
Assaying	408	2,306
Field & camp costs	12,351	12,135
Geological consulting	123,133	226,359
Transport & support	32,784	48,250
Total current exploration costs	168,676	289,050
Professional & other fees		
Professional consulting	9,000	6,000
Legal fees	3,696	10,429
Others	(102,608)	-
Total current professional & other fees	(89,912)	16,429
Total costs incurred during the period	102,442	334,416
Balance, Opening	1,360,583	1,274,557
Recoveries	-	(141,213)
Write off	-	-
Foreign exchange movements	(441,912)	(107,177)
Balance, End of the period	\$ 1,021,113	\$ 1,360,583

Cumulative costs:	As at June 30, 2020	As at September 30, 2019
Acquisition	\$ 4,004,317	\$ 3,980,639
Exploration	2,094,858	1,926,182
Professional & other fees	610,934	700,846
Recoveries	(4,665,613)	(4,665,613)
Foreign exchange movements	(1,023,383)	(581,471)
Total	\$ 1,021,113	\$ 1,360,583

7. Contributions from Riverside

Riverside's investment in the operations of Carve-out is presented as contributions from Riverside in the carveout financial statements. Deficit/Capital contributions represent the accumulated net losses of the carve-out operation, the accumulated net contributions from Riverside

Net financing transactions with Riverside as presented in the carve-out statements of cash flows represents the net contributions related to the funding of operations between Carve-out and Riverside.

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Notes to the Condensed Interim Carve-Out Financial Statements for the period ended June 30, 2020

(Expressed in Canadian Dollars)

8. Capital management

As a separate resource exploration activity, the Entity does not have share capital and its equity is a carve-out amount from Riverside's equity. Riverside has no debt and does not expect to enter into debt financing.

The Entity manages its capital structure and makes adjustments to it, based on the funds available to the Entity, in order to support the acquisition and exploration of exploration and evaluation assets. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Entity's management to sustain future development of the business. The properties in which the Entity currently has an interest are in the exploration stage; as such the Entity is dependent on external financing to fund activities. In order to carry out planned exploration and pay for administrative costs, the Entity will spend its existing working capital and raise additional funds as needed. The Entity 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 Entity's approach to capital management during the period ended June 30, 2020. The Entity is not currently subject to externally imposed capital requirements.

9. Related party transactions

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Entity as a whole. The Entity has determined that key management personnel consist of executive and non-executive members of the Entity's Board of Directors and corporate officers.

As of June 30, 2020, there were no related party transactions.

10. 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 Entity's accounts payable and accrued liabilities approximate carrying value, which is the amount recorded on the statements of financial position.

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Notes to the Condensed Interim Carve-Out Financial Statements for the period ended June 30, 2020

(Expressed in Canadian Dollars)

10. Financial instruments (continued)

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

Liquidity risk

The Entity's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Entity manages liquidity risk through the management of its capital structure.

Price risk

The Entity is exposed to price risk with respect to commodity prices. 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 Entity 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 Entity.

Foreign currency risk

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

Sensitivity analysis

The Entity operates in Mexico and is exposed to risk from changes in the US dollar and the Mexican peso.

11. Segmented information

The Entity operates in one reportable segment, being the acquisition and exploration of mineral property interests in Mexico.