

RIVERSIDE RESOURCES INC.

(An Exploration Stage Enterprise)

Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

June 30, 2016

(Unaudited)

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Notice of non-review of condensed interim consolidated financial statements

The attached condensed interim consolidated financial statements for the nine month period ended June 30, 2016 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	June 30, 2016	September 30, 2015
Assets			
Current assets:			
Cash		\$ 1,462,612	\$ 1,781,941
Short-term investments	3	2,278,822	2,477,289
Taxes receivable	4	231,210	195,253
Other receivable		2,164	-
Prepaid expenses	5	342,011	62,208
		4,316,819	4,516,691
Deposits and other assets	6	25,525	67,616
Equipment	7	79,589	108,717
Exploration bonds	8(g)	-	65,492
Exploration and evaluation assets	8	2,382,810	2,658,240
		\$ 6,804,743	\$ 7,416,756

Liabilities and Shareholders' Equity

Current liabilities:			
Accounts payable and accrued liabilities	9	\$ 665,987	\$ 445,927
Shareholders' equity:			
Capital stock	10	20,964,978	20,916,978
Reserves	10	2,775,039	2,712,413
Deficit		(16,768,996)	(16,532,828)
Accumulated other comprehensive loss		(832,265)	(125,734)
		6,138,756	6,970,829
		\$ 6,804,743	\$ 7,416,756

Nature and continuance of operations and basis of presentation (Note 1)

Subsequent events (Note 16)

On behalf of the Board on August 29, 2016:

<u>"James Clare"</u>	Director	<u>"Brian Groves"</u>	Director
James Clare		Brian Groves	

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

(Unaudited - Expressed in Canadian Dollars)

	Note	3 Months Ended June 30, 2016	3 Months Ended June 30, 2015	9 Months Ended June 30, 2016	9 Months Ended June 30, 2015
Expenses					
Consulting fees		\$ 100,405	\$ 90,493	\$ 225,835	\$ 198,387
Depreciation	7	6,423	1,414	20,218	24,190
Director fees		9,750	12,000	33,750	36,000
Filing fees		10,873	1,224	30,111	25,739
Foreign exchange (gain) loss		(586)	(120,024)	66,533	(148,082)
Investor relations		53,609	30,881	142,038	79,334
Office expenses		21,391	22,924	57,822	75,168
Payroll and benefits		1,873	421	1,978	1,806
Professional fees		21,433	25,414	48,622	63,097
Property investigation and evaluation		(30,607)	16,458	(13,342)	37,915
Rent		45,435	52,082	143,247	157,280
Share-based payments	10	18,794	31,569	62,626	107,733
Travel and meals		4,837	10,182	30,853	25,462
Finance income		(3,133)	(25,010)	(19,042)	(59,342)
Other expenses (income)		(150)	20,424	(150)	4,868
Unrealized (gain) loss on short-term investments		(147,830)	4,205	284,497	138,846
Results from operations		(112,517)	(174,657)	(1,115,596)	(768,401)
Recovery on exploration & evaluation assets	8, 8(b)	-	-	1,279,428	-
Write-down of exploration & evaluation assets		-	(496,829)	-	(496,829)
Write-down of short-term investments	3	-	-	(400,000)	(200,000)
		-	(496,829)	879,428	(696,829)
Net income (loss) for the period		(112,517)	(671,486)	(236,168)	(1,465,230)
Foreign exchange movements		(379,817)	(286,824)	(706,531)	(314,345)
Comprehensive income (loss) for the period		(492,334)	(958,310)	(942,699)	(1,779,575)
Earnings (loss) per share – basic and diluted		\$ 0.00	\$ (0.02)	\$ (0.01)	\$ (0.04)
Weighted average number of common shares outstanding					
– basic and diluted		37,371,778	37,051,778	37,300,537	37,051,778

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 Nine Months Ended June 30,

(Unaudited - Expressed in Canadian Dollars)

	Note	2016	2015
OPERATING ACTIVITIES			
Net loss for the period		\$ (236,168)	\$ (1,465,230)
Items not involving cash			
Depreciation	7	20,218	24,190
Realized loss on sale of equipment		-	9,908
Performance bonus shares	10	11,344	-
Share-based payments	10	62,626	107,733
Unrealized loss on short-term investments		284,497	138,846
Write-down of exploration and evaluation assets		-	496,829
Write-down of short-term investments		400,000	200,000
Change in non-cash working capital items:			
Prepaid expenses		(279,803)	(11,715)
Taxes receivable		(35,957)	(63,257)
Other receivable		(2,164)	(9,178)
Accounts payable and accrued liabilities		254,410	(164,747)
		479,003	(736,621)
INVESTING ACTIVITIES			
Sale (Acquisition) of equipment		-	11,000
Deposits and other assets		107,583	12,713
Exploration and evaluation assets		(466,290)	30,269
Short-term investments		(287,110)	(17,111)
		(645,817)	36,871
Effect of foreign exchange on cash		(152,515)	(301,941)
Decrease in cash		(319,329)	(1,001,691)
Cash, beginning of the period		1,781,941	3,360,889
Cash, end of the period		\$ 1,462,612	\$ 2,359,198

Supplemental disclosures with respect to cash flows (Note 13)

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)

	Note	Capital Stock		Commitment to issue shares	Reserves	Deficit	Accumulated other comprehensive income	Total shareholders' equity
		Shares	Amount					
Balance at September 30, 2014		37,011,778	\$ 20,902,978	\$ 14,000	\$ 2,588,089	\$ (13,671,076)	\$ 205,172	\$ 10,039,163
Issued for:								
Performance bonus shares	10	40,000	14,000	(14,000)	-	-	-	-
Share-based payments	10	-	-	-	107,733	-	-	107,733
Loss for the period		-	-	-	-	(1,465,230)	-	(1,465,230)
Foreign exchange movements		-	-	-	-	-	(314,345)	(314,345)
Balance at June 30, 2015		37,051,778	20,916,978	-	2,695,822	(15,136,306)	(109,173)	8,367,321
Balance at September 30, 2015		37,051,778	20,916,978	-	2,712,413	(16,532,828)	(125,734)	6,970,829
Issued for:								
Performance bonus shares	10	320,000	48,000	-	-	-	-	48,000
Share-based payments	10	-	-	-	62,626	-	-	62,626
Loss for the period		-	-	-	-	(236,168)	-	(236,168)
Foreign exchange movements		-	-	-	-	-	(706,531)	(706,531)
Balance at June 30, 2016		37,371,778	\$ 20,964,978	\$ -	\$ 2,775,039	\$ (16,768,996)	\$ (832,265)	\$ 6,138,756

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 Nine Months Ended June 30, 2016

(Unaudited - Expressed in Canadian Dollars)

1. Nature and continuance of operations and basis of presentation

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

The Company’s head office address is 1110 – 1111 West Georgia Street, Vancouver, British Columbia, Canada V6E 4M3. The Company’s registered and records office address is 1500 – 1055 West Georgia Street, Vancouver, British Columbia, Canada V6E 4N7.

The Company’s ability to continue operations is uncertain and is dependent upon the ability of the Company to obtain necessary financing to meet the Company’s liabilities and commitments as they become payable, the successful acquisition of an interest in assets or a business, and the ability to generate future profitable production or operations or sufficient proceeds from the disposition thereof. The outcome of these matters cannot be predicted at this time. The consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations. Management believes that the Company has sufficient working capital to maintain its operations and activities for the current 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, 2015. 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, 2016.

Basis of presentation

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

RIVERSIDE RESOURCES INC.

(An Exploration Stage Enterprise)

Notes to the Condensed Interim Consolidated Financial Statements for the Nine Months Ended June 30, 2016

(Unaudited - Expressed in Canadian Dollars)

2. Significant accounting policies

Principles of consolidation

These condensed interim 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
RRI Exploration Inc.	United States	100%	Mineral exploration
RRI Holdings Limited	Canada	100%	Holding company
Riverside Resources (BC) Inc.	Canada	100%	Mineral exploration
RRM Exploracion, S.A.P.I. de C.V.	Mexico	100%	Mineral exploration

Accounting standards adopted during the period

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

- IFRS 10 Investment Entities – Amendment: effective for periods beginning on or after January 1, 2014.
- IFRIC 21 Levies: effective for periods beginning on or after January 1, 2014.

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 7 Financial Instruments - Disclosures: Amended to require additional disclosures on transition from IAS 39 and IFRS 9, effective for annual periods beginning on or after January 1, 2018.
- IFRS 9 Financial Instruments: New standard that replaced IAS 39 for classification and measurement, effective for annual periods beginning on or after January 1, 2018.
- IFRS 15 Revenue from Contracts with Customers: effective for periods beginning on or after January 1, 2018.

RIVERSIDE RESOURCES INC.

(An Exploration Stage Enterprise)

Notes to the Condensed Interim Consolidated Financial Statements for the Nine Months Ended June 30, 2016

(Unaudited - Expressed in Canadian Dollars)

3. Short-term investments

Short-term investments, which consist primarily of investments in Guaranteed Investment Certificates, are investments with maturities of three months or more when purchased. Short-term investments also include the marketable securities received as a result of property option agreements. As of June 30, 2016, the fair values of the short-term investments are as follows:

	June 30, 2016	September 30, 2015
Guaranteed investment certificates	\$ 2,184,243	\$ 1,897,132
Fair-value-through profit and loss securities ⁽¹⁾	94,579	580,157
	\$ 2,278,822	\$ 2,477,289

⁽¹⁾ Marketable securities comprise common shares in publicly traded and private companies as follows:

	June 30, 2016			September 30, 2015		
	Number of shares	Cost	Fair market value	Number of shares	Cost	Fair market value
Arcus Development Group Inc.	29,000	\$ 11,020	\$ 1,740	29,000	\$ 11,020	\$ 580
Guerrero Exploration Inc.	1,926,000	343,049	-	1,926,000	343,049	-
Mexigold Corp.	550,877	160,667	5,509	550,877	160,667	2,754
Sierra Madre Developments Inc. ⁽²⁾	12,503,218	1,103,791	-	12,503,218	1,103,791	-
Morro Bay Resources Ltd.	8,733,001	763,030	87,330	28,841,109	1,870,597	576,823
		\$ 2,381,557	\$ 94,579		\$ 3,489,124	\$ 580,157

⁽¹⁾ As at September 30, 2015, the Company held 2,000,000 shares in Croesus Gold Corp., a private company, valued at \$nil as the shares were written off during the year. In December 2015, the Company received an additional 4,000,000 in Croesus Gold Corp. at a deemed price of \$0.10 per share which was written down to \$nil during the first quarter as there is no current market value for these private company shares. As at June 30, 2016, the Company holds a total of 6,000,000 shares in Croesus Gold Corp. with a carrying value of \$nil.

⁽²⁾ 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 statement of operations.

4. Taxes receivable

Taxes receivable consists of tax refunds from the Federal Governments of Canada and Mexico. The breakdown is as follows:

	June 30, 2016	September 30, 2015
GST refunds in Canada	\$ 45,881	\$ 29,218
IVA refunds in Mexico	185,329	166,035
	\$ 231,210	\$ 195,253

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Notes to the Condensed Interim Consolidated Financial Statements for the Nine Months Ended June 30, 2016

(Unaudited - Expressed in Canadian Dollars)

5. Prepaid expenses

The breakdown of prepaid expenses is as follows:

		June 30, 2016	September 30, 2015
Claim maintenance	\$	280,864	\$ -
Conferences and courses		19,695	19,931
Expense advances and retainers		14,093	19,684
Insurance		25,572	20,889
Rent		1,787	1,704
	\$	342,011	\$ 62,208

6. Deposits and other assets

Deposits and other assets consist of long-term rent deposit and claim maintenance fees that are incurred on an annual basis in regards to the Company's Sugarloaf Peak Property in the United States. The breakdown is as follows:

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

7. Equipment

	Computer hardware	Exploration equipment	Furniture & fixtures	Vehicles	Total
Cost					
Balance at September 30, 2015	\$ 84,402	\$ 143,496	\$ 38,037	\$ 107,865	\$ 373,800
Additions	-	-	-	-	-
Foreign exchange movement	(1,741)	(14,447)	(2,912)	(12,127)	(31,227)
Balance at June 30, 2016	\$ 82,661	\$ 129,049	\$ 35,125	\$ 95,738	\$ 342,573
Accumulated depreciation					
Balance at September 30, 2015	\$ (78,677)	\$ (84,725)	\$ (22,539)	\$ (79,142)	\$ (265,083)
Depreciation	(1,910)	(8,448)	(2,459)	(7,401)	(20,218)
Foreign exchange movement	1,603	9,495	1,803	9,416	22,317
Balance at June 30, 2016	\$ (78,984)	\$ (83,678)	\$ (23,195)	\$ (77,127)	\$ (262,984)
Net book value					
Balance at September 30, 2015	\$ 5,725	\$ 58,771	\$ 15,498	\$ 28,723	\$ 108,717
Balance at June 30, 2016	\$ 3,677	\$ 45,371	\$ 11,930	\$ 18,611	\$ 79,589

RIVERSIDE RESOURCES INC.

(An Exploration Stage Enterprise)

Notes to the Condensed Interim Consolidated Financial Statements for the Nine Months Ended June 30, 2016

(Unaudited - Expressed in Canadian Dollars)

8. Exploration and evaluation assets

For the period ended June 30, 2016

	Penoles Mexico	Sugarloaf Peak USA	Tajitos Mexico	Clemente Mexico	La Silla Mexico	Glor Mexico	Flute Canada	Lennac Canada	Total
Acquisition costs	\$ 57,147	\$ 22,090	\$ -	\$ 5,642	\$ 27,824	\$ -	\$ -	\$ -	\$ 112,703
Exploration costs:									
Assaying	-	-	-	-	4,281	-	-	-	4,281
Data acquisition	-	-	-	-	600	-	-	-	600
Depreciation	-	-	-	-	-	-	-	-	-
Field & camp costs	904	-	9,229	-	87	376	-	-	10,596
Geological consulting	94,616	-	123,360	2,700	36,855	14,100	-	-	271,631
Road construction	-	-	-	-	-	-	-	-	-
Surveys & geophysics	-	-	-	-	-	-	-	-	-
Trenching & sampling	-	-	-	-	-	-	-	-	-
Transport & support	8,106	-	12,673	295	11,392	2,712	-	-	35,178
Total current exploration costs	103,626	-	145,262	2,995	53,215	17,188	-	-	322,286
Professional & other fees:									
Professional consulting	139	12,567	-	-	5,000	-	-	-	17,706
Legal fees	13,071	-	17,905	-	-	-	-	-	30,976
Others	275	-	383	-	868	401	-	-	1,927
Total current professional & other fees	13,485	12,567	18,288	-	5,868	401	-	-	50,609
Total costs incurred during the period	174,258	34,657	163,550	8,637	86,907	17,589	-	-	485,598
Balance, Opening	200,550	382,344	1,562,615	509,749	-	-	2,825	157	2,658,240
Asset write-off	-	-	-	-	-	-	-	-	-
Recoveries	201,081	(417,001)	-	-	-	-	-	-	(215,920)
Foreign exchange movements	(381,573)	-	(136,387)	(25,941)	(1,207)	-	-	-	(545,108)
Balance, End of the period	\$ 194,316	\$ -	\$ 1,589,778	\$ 492,445	\$ 85,700	\$ 17,589	\$ 2,825	\$ 157	\$ 2,382,810
Cumulative costs:									
Acquisition	\$ 3,220,099	\$ 554,770	\$ 751,235	\$ 96,277	\$ 27,824	\$ -	\$ -	\$ -	\$ 4,762,287
Exploration	1,032,146	1,053,196	801,861	331,952	53,215	17,188	700	157	3,625,527
Professional & other fees	491,106	200,453	184,156	104,243	5,868	401	2,125	-	1,043,540
Asset write-off	-	-	-	-	-	-	-	-	(479,062)
Recoveries	(4,117,956)	(1,808,419)	-	(8,057)	-	-	-	-	(5,959,088)
Foreign exchange movements	(431,079)	-	(147,474)	(31,970)	(1,207)	-	-	-	(610,394)
	\$ 194,316	\$ -	\$ 1,589,778	\$ 492,445	\$ 85,700	\$ 17,589	\$ 2,825	\$ 157	\$ 2,382,810

RIVERSIDE RESOURCES INC.

(An Exploration Stage Enterprise)

Notes to the Condensed Interim Consolidated Financial Statements for the Nine Months Ended June 30, 2016

(Unaudited - Expressed in Canadian Dollars)

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

For the year ended September 30, 2015

	Penoles Mexico	Sugarloaf Peak USA	Tajitos Mexico	Clemente Mexico	Coatan Mexico	Sierra Salada Mexico	Flute Canada	Lennac Canada	Total
Acquisition costs	\$ 82,565	\$ 38,788	\$ 44,921	\$ 7,139	\$ -	\$ 9,144	\$ -	\$ -	\$ 182,557
Exploration costs:									
Assaying	-	-	6,931	-	-	-	-	-	6,931
Data acquisition	-	-	1,676	-	-	-	-	-	1,676
Field & camp costs	4,065	70	10,661	645	-	3,202	-	-	18,643
Geological consulting	25,529	-	59,850	9,279	-	6,135	-	-	100,793
Transport & support	8,441	1,124	19,624	2,155	-	1,320	-	-	32,664
Total current exploration costs	38,035	1,194	98,742	12,079	-	10,657	-	-	160,707
Professional & other fees:									
Professional consulting	31,259	10,334	8,667	-	-	-	-	-	50,260
Legal fees	16,300	18,126	22,519	6,668	-	-	-	-	63,613
Others	1,796	13,460	8,394	-	-	-	-	-	23,650
Total current professional & other fees	49,355	41,920	39,580	6,668	-	-	-	-	137,523
Total costs incurred during the period	169,955	81,902	183,243	25,886	-	19,801	-	-	480,787
Balance, Opening	1,009,186	550,442	1,438,625	495,559	153,884	324,318	2,825	157	3,974,996
Asset write-off	-	-	-	-	(147,087)	(331,975)	-	-	(479,062)
Recoveries	(805,120)	(250,000)	-	-	-	-	-	-	(1,055,120)
Foreign exchange movements	(173,471)	-	(59,253)	(11,696)	(6,797)	(12,144)	-	-	(263,361)
Balance, End of the period	\$ 200,550	\$ 382,344	\$ 1,562,615	\$ 509,749	\$ -	\$ -	\$ 2,825	\$ 157	\$ 2,658,240
Cumulative costs:									
Acquisition	\$ 3,162,952	\$ 532,680	\$ 751,235	\$ 90,635	\$ 55,394	\$ 56,688	\$ -	\$ -	\$ 4,649,584
Exploration	928,520	1,053,196	656,599	328,957	88,844	246,268	700	157	3,303,241
Professional & other fees	477,621	187,886	165,868	104,243	24,608	30,580	2,125	-	992,931
Asset write-off	-	-	-	-	(147,087)	(331,975)	-	-	(479,062)
Recoveries	(4,319,037)	(1,391,418)	-	(8,057)	(24,656)	-	-	-	(5,743,168)
Foreign exchange movements	(49,506)	-	(11,087)	(6,029)	2,897	(1,561)	-	-	(65,286)
	\$ 200,550	\$ 382,344	\$ 1,562,615	\$ 509,749	\$ -	\$ -	\$ 2,825	\$ 157	\$ 2,658,240

RIVERSIDE RESOURCES INC.

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Notes to the Condensed Interim Consolidated Financial Statements for the Nine Months Ended June 30, 2016

(Unaudited - Expressed in Canadian Dollars)

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

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. Activities that occurred during the nine month period ended June 30, 2016 and subsequent thereto are as follows:

(a) Peñoles, Durango, Mexico

The Company owns 100% of the Peñoles Property subject to a 2% NSR, which can be reduced to 1.5% by making a one-time payment of US\$500,000 to the underlying concession holder on or before January 31, 2016 which has expired as of the date of this report.

Morro Bay Resources Ltd. ("Morro Bay") completed a transaction whereby it acquired from Sierra Madre Developments Inc. ("Sierra Madre") an option to earn an initial 51% and up to 65% interest in the Company's Peñoles Project.

At the close of the transaction, during the year ended September 30, 2014, between Morro Bay and Sierra Madre, the Company received cash payments of \$8,542 from Sierra Madre and \$82,957 from Morro Bay, as well as 3,705,974 Morro Bay common shares with a fair value of \$0.10 and 1,852,987 Morro Bay warrants with a fair value of \$nil, each exercisable into one common share at a price of \$0.25 until their expiry on the first anniversary of the date of their issuance. Furthermore, Morro Bay reimbursed the Company \$55,175 for taxes on mining concessions resulting in total recoveries of \$517,271.

On January 15, 2015, the Company amended the option agreement with Morro Bay, whereby Morro Bay is required to complete the following in order to earn a 51% interest in the Peñoles Project:

- i. Incur \$750,000 in exploration expenditures by March 31, 2014 (incurred);
- ii. Issue \$750,000 in Morro Bay shares (or cash at Morro Bay's election) by July 15, 2014 (received shares);
- iii. Incur an additional \$500,000 in exploration expenditures by October 31, 2014 (incurred); and
- iv. Pay to the Company \$750,000 in cash by March 31, 2015 or issue \$750,000 in Morro Bay shares at Morro Bay's election if the market value of the common shares on that date is \$0.05 or greater (received shares).

As part of the amendment, the US\$1,250,000 and \$100,000 cash payments previously required to be paid by December 31, 2014 will now be applied as a credit for Riverside towards initial joint venture expenditures upon exercise of the initial option. Morro Bay has an additional option to acquire an additional 14% interest in the property by paying \$30,000 by the first anniversary of the initial option exercise date, incurring an extra \$5,000,000 in exploration expenditures and paying an additional \$750,000 in cash and/or Morro Bay shares at Morro Bay's election subject to certain conditions by the second anniversary of the initial option exercise date.

On May 1, 2015, Morro Bay elected to exercise the option for 51% of the Penoles Project. Morro Bay's final payment of \$750,000 was received by way of 15,000,000 Morro Bay shares.

Per the terms of the option agreement, as of May 1, 2016 Morro Bay has 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 issued to the Company under the amended option agreement, being a total of 20,108,108 Morro Bay shares.

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(Unaudited - Expressed in Canadian Dollars)

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

(b) Sugarloaf Peak, Arizona, USA

The Company owned 100% of the Sugarloaf Peak Property subject to a 1.5% NSR. On December 17, 2014, the Company entered into an option agreement with Croesus Gold Corp. ("Croesus Gold", formerly known as Winnemucca Gold Corp.) whereby Croesus Gold can acquire 100% interest in the Sugarloaf Peak Property by completing the following:

- i. Incurring \$5,000,000 of cumulative exploration expenditures on the property as follows:
 - \$500,000 on or before December 17, 2015 (amended);
 - \$2,000,000 (cumulative) on or before December 17, 2016; and
 - \$5,000,000 (cumulative) on or before December 17, 2017.
- ii. Payment of cash and issuance Croesus Gold shares over a four-year period which was amended on December 18, 2015 as follows:
 - \$400,000 and 4,000,000 common shares on December 18, 2015 (received cash and shares);
 - An additional \$50,000 on or before June 18, 2016;
 - An additional \$50,000 on or before December 18, 2016;
 - An additional 500,000 common shares if Croesus has not completed all required cash payments on or prior to December 18, 2016;
 - An additional \$100,000 on or before June 18, 2017; and
 - An additional \$100,000 on or before December 18, 2017.

Before the December 18, 2015 amendment, the Company received the following cash and shares to date:

- \$25,000 and 1,000,000 common shares on or before October 12, 2014 (received cash and shares);
- An additional 25,000 and 1,000,000 common shares on or before December 17, 2014 (received cash and shares);

During the three months ended December 31, 2015, the Company received \$400,000 cash and 4,000,000 common shares valued at \$400,000 as part of the amended option agreement.

In March 2016, the terms of the option agreement were amended further to allow for an early one-time cash payment of \$250,000 plus \$42,000 to reimburse Riverside for pre-paid claim fees for a total of \$292,000 (received). As a result, Croesus earned an undivided 100% interest in the property with the Company retaining a 2% NSR.

A total of \$1,092,000 was recovered on the property during the nine months ended June 30, 2016, of which \$417,001 was recorded against the property to reducing the carrying value to \$nil, and the remainder recorded to recovery on exploration and evaluation asset in the statement of operations and comprehensive loss.

(c) Clemente, Sonora, Mexico

The Company has a 100% interest in Clemente property.

(d) La Silla, Sinaloa, Mexico

In October 2015, the Company acquired two large mining concessions in the La Silla district through a lottery process.

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

(e) Tajitos, Sonora, Mexico

On October 14, 2015, the Company entered into an option agreement with Centerra Exploration B.V. ("Centerra") whereby Centerra could acquire a 70% interest in the Company's Tajitos Project. In order to exercise the option, Centerra needed to incur USD \$6,000,000 in aggregate exploration expenditures within approximately four years of signing the agreement. The Company will act as the Project Manager and collect management fees until the earlier of December 31, 2017 or \$2,000,000 in exploration expenditures have been completed.

On June 2, 2016, Centerra terminated the option agreement with the Company and the Company has a 100% interest in Tajitos property.

(f) Antofagasta Exploration Alliance, British Columbia, Canada

Flute and Lennac Projects

On July 6, 2011, the Company entered into a three-year Strategic Exploration Alliance with Antofagasta Minerals S.A. ("AMSA") for generative exploration throughout the primary copper belts of British Columbia, Canada. The generative exploration alliance reached the end of its term on June 30, 2014. AMSA informed the Company it would not be pursuing two of the designated properties subject to the exploration alliance and as a result the Company assumed the interest in the Flute and Lennac Project. No acquisition costs were capitalized as they were paid through the exploration alliance before the Company assumed the interest.

Swift Katie Project

In February 2014, the Swift Katie Project was identified and acquired. AMSA funded the project to advance it, and a reclamation bond of \$13,000 was required by the British Columbia Ministry of Energy, Mines and Petroleum Resources, which along with the previous reclamation bonds of \$52,492 has been included as exploration bonds on the statement of financial position as at September 30, 2015. On December 17, 2014, AMSA informed the Company it would not be retaining any interest in the Swift Katie designated property and as a result the Company terminated the option with its underlying concession holder immediately with no further obligation with respect to the Swift Katie designated property.

During the nine months ended June 30, 2016, the \$65,492 in reclamation bonds were released from the British Columbia Ministry of Energy, Mines and Petroleum Resources upon completion of the required reclamation on the property.

(g) Hochschild Exploration Alliance, Sonora, Mexico

Glor Project

On April 9, 2013, the Company entered into a three-year strategic exploration alliance with Hochschild Mining Holding Limited ("Hochschild") for generative exploration throughout the Mega-shear Gold Belt in western Sonora, Mexico. Hochschild agreed to fund US\$750,000 on an annual basis for a total of US\$2,250,000 over three years. Once a project was identified, Hochschild would be entitled to earn a 65% interest through an Earn-In Agreement by completing a four year, US\$5,000,000 work program. In April 2016, the exploration alliance reached the end of its term and expired.

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

(g) Hochschild Exploration Alliance, Sonora, Mexico (cont'd...)

Glor Project

On September 25, 2014, as part of the Hochschild Alliance, the Company signed an option agreement with Argonaut Gold Inc. ("Argonaut") to acquire 100% interest in the Glor Project subject to a 1.0% NSR to Argonaut by paying \$100,000 in cash and \$62,500 in cash or shares at the Company's election, and incurring \$2,500,000 in exploration expenditures over a five-year period. The Company can purchase 50% of NSR, being 0.5% NSR, from Argonaut at any time by paying \$1,250,000. Subject to the completion of the Alliance in April 2016, the Company assumed the option agreement with Argonaut on the Glor Project. No acquisition costs are capitalized as they were paid through the exploration alliance before the Company assumed the interest.

Subsequent to the quarter end, 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 within four years of signing the agreement.

(h) Antofagasta Exploration Alliance, Sonora, Mexico

On July 18, 2013, the Company entered into a three-year strategic exploration alliance with Antofagasta Investment Company Limited ("AICL") for generative exploration in the major copper belt of northwestern Mexico in the eastern part of the state of Sonora. AICL agreed to contribute US\$600,000 on an annual basis for three years, for a total of US\$1,800,000, of generative grass-roots exploration within a defined exploration area covering eastern Sonora and parts of western Chihuahua and northern Sinaloa. Once a project was identified, AICL could choose to earn a 65% interest in the project, after initially being entitled to own a 51% interest in the project, by completing a four year, US\$5,000,000 work program.

Effective July 18, 2016, generative exploration alliance agreement was amended and reallocated the remaining funding for generative exploration to the Thor Project.

Thor Project

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

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

9. Accounts payable and accrued liabilities

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

	June 30, 2016	September 30, 2015
Payables to vendors	\$ 47,101	\$ 116,096
Exploration advances	618,886	329,831
	<u>\$ 665,987</u>	<u>\$ 445,927</u>

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10. 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

On November 30, 2015, the Company issued 320,000 bonus shares at a value of \$48,000 to certain officers and consultants of the company in accordance with the Company's shareholder approved bonus share plan.

On October 22, 2014, the Company issued 40,000 bonus shares at a value of \$14,000 to an executive officer as a performance bonus declared in fiscal year 2014.

Share purchase and agents warrants

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

Stock options

On January 7, 2016, the Company granted 955,000 incentive stock options to certain directors, officers, and consultants of the Company. The options are exercisable at \$0.145 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.

Share-based payments relating to options vested during the period ended June 30, 2016 using the Black-Scholes option pricing model was \$62,626 (2015 - \$107,733), which was recorded as reserves on the statements of financial position and as share-based payment expense on the statement of operations. The associated share-based payment expense for the options granted during the period was calculated based on the following weighted average assumptions:

	2015	2016
Forfeiture rate	2.30 %	8.38 %
Estimated risk-free rate	1.53 %	0.66 %
Expected volatility	53.74 %	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	\$ 0.13	\$ 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, 2014	2,352,500	\$ 0.550
Cancelled/Terminated	(297,500)	\$ 0.555
Granted	1,087,000	\$ 0.270
Outstanding options, September 30, 2015	3,142,000	\$ 0.453
Expired	(860,000)	\$ 0.500
Cancelled/Terminated	(290,000)	\$ 0.360
Granted	955,000	\$ 0.145
Outstanding options, June 30, 2016	2,947,000	\$ 0.350

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Notes to the Condensed Interim Consolidated Financial Statements for the Nine Months Ended June 30, 2016

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10. Capital stock and reserves (continued)

As at June 30, 2016, the Company has outstanding stock options exercisable as follows:

Expiry date (mm/dd/yyyy)	Number of options outstanding	Weighted average remaining life in years	Exercise price	Number of options exercisable
09/08/2016	530,000	0.19	\$ 0.500	530,000
12/14/2017	575,000	1.46	\$ 0.650	575,000
11/14/2019	962,000	3.38	\$ 0.270	962,000
01/07/2021	880,000	4.53	\$ 0.145	145,000
	2,947,000	2.77		2,212,000

11. Related party transactions

The Company entered into the following transactions with related parties:

Payee	Nature of transactions	Period ending June 30	Fees (\$)	Shares (\$)	Amount payable (\$)
Arriva Management Inc.	Management and consulting fees (i)	2016 2015	187,472 111,620	11,250 nil	06/30/2016: nil 09/30/2015: nil
GSBC Financial Management Inc.	Management and consulting fees (i)	2016 2015	127,503 128,047	11,250 14,000	06/30/2016: nil 09/30/2015: nil
Dorado Minerals	Consulting fees (i)	2016 2015	110,171 112,500	5,625 nil	06/30/2016: nil 09/30/2015: nil
English Bay Capital	Consulting fees	2016 2015	76,500 25,500	11,250 nil	06/30/2016: nil 09/30/2015: nil
Michael Doggett	Director fees	2016 2015	9,000 9,000	nil nil	06/30/2016: 2,293 09/30/2015: nil
William Lee	Director fees	2016 2015	4,750 9,000	nil nil	06/30/2016: 3,890 09/30/2015: 1,521
Brian Groves	Director fees	2016 2015	9,000 9,000	nil nil	06/30/2016: 2,293 09/30/2015: nil
James Clare	Director fees	2016 2015	9,000 9,000	nil nil	06/30/2016: 2,293 09/30/2015: nil
Carol Ellis	Director fees	2016 2015	1,000 nil	nil nil	06/30/2016: 793 09/30/2015: nil
Walter Henry	Director fees	2016 2015	1,000 nil	nil nil	06/30/2016: 793 09/30/2015: nil

At June 30, 2016, the amount payable to a company controlled by an officer was \$nil (September 30, 2015 - \$9,616) for expense reimbursements.

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

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 nine months ended June 30, 2016 and 2015 is as follows:

	2016	2015
Directors fees	\$ 33,750	\$ 36,000
Management and consulting fees (i)	501,646	377,667
Performance bonus shares	39,375	14,000
Share-based payments (ii)	36,239	81,027
	<u>\$ 611,010</u>	<u>\$ 508,694</u>

(i) Management and consulting fees of key management personnel for the period were allocated as follows: \$117,000 (2015 - \$99,000) expensed to consulting fees, \$147,160 (2015 - \$26,066) capitalized to exploration and evaluation assets, \$655 (2015 - \$nil) expensed to property investigation, \$29,000 (2015 - \$nil) expensed to investor relations and \$207,831 (2015 - \$252,601) capitalized to exploration work performed for alliances that will be reimbursed.

(ii) Share-based payments are the expenses associated with vested options granted to key management personnel.

12. Segmented information

The Company operates in one business segment, the exploration of exploration and evaluation assets. 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.

	June 30, 2016	September 30, 2015
Equipment		
Canada	\$ 15,697	\$ 19,634
Mexico	63,892	89,083
	<u>79,589</u>	<u>108,717</u>
Exploration and evaluation assets		
Canada	2,982	2,982
Mexico	2,379,828	2,272,914
USA	-	382,344
	<u>2,382,810</u>	<u>2,658,240</u>
Total	<u>\$ 2,462,399</u>	<u>\$ 2,766,957</u>

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(Unaudited - Expressed in Canadian Dollars)

13. Supplemental disclosure with respect to cash flows

For the nine months ended June 30,	2016	2015
Cash paid during the period for income taxes	\$ -	\$ -
Cash paid during the period for interest	\$ -	\$ -

The significant non-cash transactions for the nine months ended June 30, 2016 were as follows:

- The Company issued 320,000 common shares at a value of \$48,000 to certain officers and consultants in accordance with the Company's bonus share plan. Of which, \$11,344 were expensed to consulting fees, and \$36,656 were capitalized to exploration and evaluation assets.
- The Company received 4,000,000 Croesus Gold shares valued at \$400,000 as exploration and evaluation asset recoveries (Note 8(b)).
- The Company returned 20,108,108 Morro Bay shares upon termination of Penoles option agreement (Note 8(a)).
- Included in accounts payable was \$nil (September 30, 2015 - \$34,349) in exploration and evaluation asset expenditures.

The significant non-cash transactions for the nine months ended June 30, 2015 were as follows:

- Transfer from commitment to issue shares to share capital as a result of the Company issuing 40,000 common shares at a value of \$14,000 to an executive officer as a performance bonus for 2014. Of which, \$3,500 were expensed to consulting fees in the statement of operations, \$3,500 were capitalized to exploration and evaluation assets, and \$7,000 were capitalized to exploration work performed for alliance that was reimbursed during the year ended September 30, 2014.
- The Company received 15,000,000 Morro Bay shares at \$750,000 as exploration and evaluation asset recoveries (Note 8(a)).
- The Company received 2,000,000 Croesus Gold shares valued at \$200,000 as exploration and evaluation asset recoveries (Note 8(b)).
- Included in accounts payable was \$9,932 (September 30, 2014 - \$47,253) in exploration and evaluation asset expenditures.
- The Company recorded a write-down of exploration and evaluation assets in the amount of \$496,829.

14. 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.

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15. 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 loans, taxes receivable, other receivables and accounts payable and accrued liabilities approximate carrying value, which is the amount recorded on the statements of financial position. The fair value of the Company's other financial instruments, cash, and short-term investments under the fair value hierarchy are based on level one 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. Taxes receivable consists of tax refunds from the Federal Governments of Canada and Mexico. The Company believes its credit risk is equal to the amounts 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 June 30, 2016, the Company had a cash balance of \$1,462,612 (September 30, 2015 - \$1,781,941) and short-term investments of \$2,278,822 (September 30, 2015 - \$2,477,289) to settle current liabilities of \$665,987 (September 30, 2015 - \$445,927). The Company believes it has sufficient funds to meet its current liabilities as they become due.

Interest rate risk

The Company has cash balances and interest-bearing investments. The interest earned on the investments 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 June 30, 2016, the Company had investments in short-term deposit certificates of \$2,184,243 (September 30, 2015 - \$1,897,132).

Price risk

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

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

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

Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash, taxes receivable, other receivable and accounts payable and accrued liabilities that are denominated in US dollars 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 period by approximately \$314,145.

The Company holds marketable securities and is exposed to risk from changes in the share price of the marketable securities. A simultaneous 10% fluctuation in the share price would affect short-term investments and loss for the period by approximately \$9,460.

16. Subsequent Events

On July 5, 2016, 38,000 stock options were exercised for gross proceeds of \$10,260.

On August 13, 2016, 180,000 stock options were cancelled.