
RILEY RESOURCES CORP.
CONDENSED INTERIM FINANCIAL STATEMENTS
For the Three and Nine Months Ended September 30, 2019 and 2018
(Unaudited)
(Expressed in Canadian Dollars)

Notice of No Auditor Review of Interim Financial Statements

Under National Instrument 51-102, Continuous Disclosure Obligations, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

RILEY RESOURCES CORP.

CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

(Unaudited - Expressed in Canadian Dollars)

| | September 30, 2019 | December 31, 2018 |
|--|-----------------------|----------------------|
| ASSETS | | |
| Current Assets | | |
| Cash | \$ 185,697 | \$ 304,394 |
| Prepaid expenses | 10,516 | 6,301 |
| Accounts Receivable | 4,160 | 2,912 |
| | <u>200,373</u> | <u>313,607</u> |
| Exploration and evaluation assets (Note 3) | <u>161,129</u> | <u>134,756</u> |
| | <u>\$ 361,502</u> | <u>\$ 448,363</u> |
| LIABILITIES | | |
| Current Liabilities | | |
| Accounts payable and accrued liabilities | \$ <u>2,582</u> | <u>19,995</u> |
| SHAREHOLDERS' EQUITY | | |
| Share capital (Note 4) | 615,298 | 615,298 |
| Contributed surplus | 104,714 | 85,042 |
| Deficit | <u>(361,092)</u> | <u>(271,972)</u> |
| | <u>358,920</u> | <u>428,368</u> |
| | <u>\$ 361,502</u> | <u>\$ 448,363</u> |

These condensed interim financial statements were approved for issue by the Audit Committee of the Board of Directors on November 20, 2019 and are signed on its behalf by:

Signed: "Todd Hilditch", Director

Signed: "Cyndi Laval", Director

RILEY RESOURCES CORP.

CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

(Unaudited - Expressed in Canadian Dollars)

| | Three month Period Ended September 30, 2019 | Three month Period Ended September 30, 2018 | Nine month Period Ended September 30, 2019 | Nine month Period Ended September 30, 2018 |
|---|---|---|--|--|
| EXPENSES | | | | |
| Consulting | \$ 2,325 | \$ 1,858 | \$ 16,571 | \$ 4,700 |
| Insurance | 3,234 | 3,047 | 9,472 | 8,913 |
| Interest and bank charges | 14 | - | 593 | - |
| Office supplies and rent | 4,776 | 3,418 | 17,673 | 6,813 |
| Professional fees | 2,713 | - | 6,048 | 3,597 |
| Shareholder reporting | 2,208 | 3,673 | 4,395 | 3,640 |
| Share based payments | 5,103 | 8,475 | 19,672 | 8,475 |
| Transfer agent and filing fees | 2,339 | 2,352 | 13,012 | 14,185 |
| Travel | 185 | 60 | 1,684 | 250 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD | <u>(22,897)</u> | <u>(22,883)</u> | <u>(89,120)</u> | <u>(50,573)</u> |
| LOSS PER SHARE, BASIC AND DILUTED | \$ <u>(0.00)</u> | \$ <u>(0.00)</u> | \$ <u>(0.01)</u> | \$ <u>(0.00)</u> |
| WEIGHTED AVERAGE SHARES OUTSTANDING | <u>10,681,755</u> | <u>10,681,755</u> | <u>10,681,755</u> | <u>10,681,755</u> |

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

RILEY RESOURCES CORP.

CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY (Unaudited - Expressed in Canadian Dollars)

| | Number of Common Shares | | Share Capital | | Contributed Surplus | | Deficit | | Total Equity |
|------------------------------------|----------------------------|-----------|------------------|-----------|------------------------|-----------|------------------|-----------|----------------|
| Balance, December 31, 2017 | 10,681,755 | \$ | 615,298 | \$ | 72,526 | \$ | (183,555) | \$ | 504,269 |
| Share-based payments | - | | - | | 8,475 | | - | | 8,475 |
| Net loss for the period | - | | - | | - | | (50,573) | | (50,573) |
| Balance, September 30, 2018 | 10,681,755 | \$ | 615,298 | \$ | 81,001 | \$ | (234,128) | \$ | 462,171 |
| Balance, December 31, 2018 | 10,681,755 | | 615,298 | | 85,042 | | (271,972) | | 428,368 |
| Share-based payments | - | | - | | 19,672 | | - | | 19,672 |
| Net loss for the period | - | | - | | - | | (89,120) | | (89,120) |
| Balance, September 30, 2019 | 10,681,755 | \$ | 615,298 | \$ | 104,714 | \$ | (361,092) | \$ | 358,920 |

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

RILEY RESOURCES CORP.

CONDENSED INTERIM STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018
(Unaudited - Expressed in Canadian Dollars)

| | Nine Months Ended September 30, 2019 | Nine Months Ended September 30, 2018 |
|--|--|--|
| CASH (USED IN) PROVIDED BY | | |
| OPERATING ACTIVITIES | | |
| Net income (loss) for the period | \$ (89,120) | \$ (50,573) |
| Items not affecting cash | | |
| Stock-based compensation | <u>19,672</u> | <u>8,475</u> |
| | (69,448) | (42,098) |
| Changes in non-cash working capital accounts: | | |
| Prepaid expenses | (4,215) | (4,219) |
| Accounts receivable | (1,248) | 1,492 |
| Accounts payable and accrued liabilities | <u>(17,413)</u> | <u>(6,469)</u> |
| | <u>(92,324)</u> | <u>(51,294)</u> |
| INVESTING ACTIVITIES | | |
| Exploration and evaluation expenditures | <u>(26,373)</u> | <u>(8,751)</u> |
| FINANCING ACTIVITIES | | |
| Issuance of shares, net | <u>-</u> | <u>-</u> |
| NET CHANGE IN CASH | (118,697) | (60,045) |
| CASH, BEGINNING OF PERIOD | <u>304,394</u> | <u>375,976</u> |
| CASH, END OF PERIOD | <u>\$ 185,697</u> | <u>\$ 315,931</u> |
| SUPPLEMENTAL CASH FLOW INFORMATION | | |
| Interest paid in cash | \$ <u>-</u> | \$ <u>-</u> |
| Income taxes paid in cash | \$ <u>-</u> | \$ <u>-</u> |

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

RILEY RESOURCES CORP.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018
(Unaudited - Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

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 has listed its common shares on the TSX Venture Exchange ("TSXV", or the "Exchange") under the trading symbol RLY. On October 13, 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 (Note 3). 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 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 contains 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 their exploration and development programs and ultimately upon future profitable production.

These financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") appropriate for a going concern. The going concern basis of accounting assumes the Company will continue to realize the value of its assets and discharge its liabilities and other obligations in the ordinary course of business. Should the Company be required to realize the value of its assets in other than the ordinary course of business, the net realizable value of its assets may be materially less than the amounts shown in the financial statements. These financial statements do not include any adjustments to the amounts and classifications of assets and liabilities that may be necessary should the Company be unable to repay its liabilities and meet its other obligations in the ordinary course of business or continue operations.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

The Company's condensed interim financial statements have been prepared in accordance with IFRS applicable to the preparation of interim statements, including IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). These condensed interim financial statements should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2018 which have been prepared according to IFRS as issued by the IASB.

The Audit Committee of the Board of Directors authorized for publication the condensed interim financial statements on November 20, 2019.

(b) Significant Accounting Policy 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.

RILEY RESOURCES CORP.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
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3. EXPLORATION AND EVALUATION ASSETS

On October 13, 2016, the Company entered into an exploration and option agreement (the "Agreement") with MSM Resource L.L.C. ("MSM"), pursuant to which the Company has been granted an option to acquire MSM's undivided interest in the East Manhattan Wash (the "Property"), located in Nye County, Nevada and is comprised of 6 unpatented lode mining claims controlled by MSM.

Pursuant to the terms of the Agreement, in order to earn MSM's interest in the Property, the Company must pay to MSM lease payments in the aggregate of \$57,500 as follows:

- \$5,000 cash upon execution of the agreement (paid);
- \$7,500 before the first anniversary date of TSXV final approval of filing QT, March 29, 2018 (the "Anniversary") (paid);
- \$10,000 before the second Anniversary; (paid)
- \$15,000 before the third Anniversary; and
- \$20,000 before the fourth Anniversary.

Work commitments in the aggregate of \$550,000 must be met as follows:

- \$50,000 before the first Anniversary (complete);
- \$50,000 before the second Anniversary (complete – the Company paid MSM a one-time payment of \$15,000 in lieu of the second Anniversary work commitment);
- \$100,000 before the third Anniversary;
- \$150,000 before the fourth Anniversary; and
- \$200,000 before the fifth Anniversary.

In addition, the Company must grant MSM a 3% net smelter return royalty on the Property, and finally must pay MSM an additional lump sum payment of \$200,000 within five years from signing the Agreement.

Exploration and evaluation asset activity during the period:

| | Period Ended September 30, 2019 | Activity | Year Ended December 31, 2018 | Activity | Year Ended December 31, 2017 |
|--|---------------------------------------|------------------|------------------------------------|-----------------|------------------------------------|
| EAST MANHATTAN WASH PROPERTY | | | | | |
| Property acquisition costs and option payments | \$ 95,816 | \$ 25,000 | \$ 70,816 | \$ 7,500 | \$ 63,316 |
| Property maintenance costs | 3,803 | 1,344 | 2,459 | 1,251 | 1,208 |
| Engineering and consulting | 39,995 | - | 39,995 | - | 39,995 |
| Assays and analysis | 6,764 | - | 6,764 | - | 6,764 |
| Geophysical surveys | 9,892 | - | 9,892 | - | 9,892 |
| Communications, field supplies and expenses | 4,859 | 29 | 4,830 | - | 4,830 |
| TOTAL EXPLORATION AND EVALUATION ASSETS | \$ 161,129 | \$ 26,373 | \$ 134,756 | \$ 8,751 | \$ 126,005 |

4. SHARE CAPITAL

(a) Authorized

At September 30, 2019, the Company's authorized share capital consisted of an unlimited number of common shares without par value and an unlimited number of first preferred shares without par value. All issued common shares are fully paid.

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4. SHARE CAPITAL (Cont'd)

Pursuant to an escrow agreement, 5,991,494 common shares will be held in escrow. 10% of these shares were released from escrow on the TSXV's acceptance of the qualifying transaction ("Initial Release"). An additional 15% will be released every 6 months over a 36-month period following the Initial Release.

At September 30, 2019, there are 898,719 shares remaining in escrow. The escrow shares may not be transferred, assigned or otherwise dealt without the consent of the securities regulatory authorities.

(b) Stock Options

The Company has a share purchase option plan under which directors, officers, employees and consultants of the Company are eligible to receive share purchase options. The aggregate number of shares available to be issued upon the exercise of all share purchase options granted under the plan shall not exceed 10% of the issued and outstanding shares of the Company. The plan limits the maximum number of share purchase options issuable in any one 12-month period to any one optionee to 5% of the total common shares outstanding. The Board of Directors shall determine the terms and provisions of the options at the time of grant. The exercise price of each share purchase option shall not be less than the market price of the common shares on the date of the grant less the discount permitted by the Exchange. The maximum term of share purchase options shall not exceed 10 years, or such other term as permitted by the Exchange.

Option-pricing models require the use of estimates and assumptions including the expected volatility. Changes in the underlying assumptions can materially affect the fair value estimates and, therefore, existing models do not necessarily provide reliable measures of the fair value of the Company's share purchase options.

As at September 30, 2019, the Company had outstanding share purchase options enabling holders to acquire common shares of the Company as follows:

| Number | Vested | Price per share | Expiry date |
|-----------|---------|-----------------|--------------------|
| 705,000 | 705,000 | \$ 0.10 | January 8, 2025 |
| 240,000 | 180,000 | \$0.145 | September 20, 2028 |
| 100,000 | 50,000 | \$0.15 | March 12, 2029 |
| 1,045,000 | 935,000 | | |

A summary of the Company's options and the changes for the period/year are as follows:

| | September 30, 2019 | | December 31, 2018 | |
|---|-----------------------|--|----------------------|--|
| | Number | Weighted Average Exercise Price | Number | Weighted Average Exercise Price |
| Outstanding, beginning of the period/year | 945,000 | \$ 0.11 | 705,000 | \$0.10 |
| Granted | 100,000 | 0.15 | 240,000 | \$0.145 |
| Exercised | - | - | - | - |
| Expired | - | - | - | - |
| Outstanding, end of the period/year | 1,045,000 | \$0.12 | 945,000 | \$0.11 |

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4. SHARE CAPITAL (Cont'd)

(b) Stock Options (cont'd)

During the period ended September 30, 2019, the Company granted 100,000 stock options to a director of the Company. The weighted average grant-date fair value of the stock options granted during the period ending September 30, 2019 is \$0.13.

The weighted average remaining contractual life of the outstanding stock options at September 30, 2019 was 6.53 (December 31, 2018 – 6.97) years and the weighted average grant-date fair value of the stock options ending September 30, 2019 is \$0.12.

The weighted average fair value of the stock options granted was determined by using the Black-Scholes option pricing model with the following assumptions:

| | Period ended September 30, 2019 | Year ended December 31, 2018 |
|-------------------------|------------------------------------|---------------------------------|
| Risk-free interest rate | 1.75% | 2.39% - 2.43% |
| Estimated volatility | 98.42% | 102.65% |
| Expected life | 9.25 years | 10 years |
| Expected dividend yield | Nil | nil |

5. FINANCIAL INSTRUMENTS

Financial instruments consist of cash, taxes receivable and accounts payable and accrued liabilities:

a) Fair value

The carrying value of cash and accounts payable and accrued liabilities approximate their fair value due to the short-term nature of these instruments.

b) Credit risk

Credit risk is the risk of an unexpected loss if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to cash and taxes receivable. Management believes that the credit risk concentration with respect to financial instruments included in cash and taxes receivable is remote.

6. CAPITAL RISK MANAGEMENT

The Company manages, as capital, the components of shareholders' equity and its cash. The Company's objectives, when managing capital, are to safeguard its ability to continue as a going concern and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may attempt to issue common shares, borrow or adjust the amount of cash. The Company does not anticipate the payment of dividends in the foreseeable future

7. RELATED PARTY DISCLOSURES

As at September 30, 2019, \$487 (December 31, 2018 - \$10,811) of accounts payable and accrued liabilities was payable to companies controlled by officers and/or directors of the Company.

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7. RELATED PARTY DISCLOSURES (Cont'd)

As at September 30, 2019, \$Nil (December 31, 2018 - \$1,361) of accounts payable and accrued liabilities was payable to a law firm in which a director is a partner.

As at September 30, 2019, \$487 (December 31, 2018 - \$Nil) of accounts payable and accrued liabilities was payable to a company with a director and/or officer in common.

As at September 30, 2019, \$833 (December 31, 2018 - \$Nil) of accounts receivable was receivable from a company with a director and/or officer in common.

During the period ended September 30, 2019, \$1,973 (September 30, 2018 - \$327) of legal expenses were incurred to a law firm in which a director is a partner. During the period ended September 30, 2019, the Company incurred rental fees and shared office expenses of \$14,382 to companies with a director and/or officer in common (September 30, 2018 - \$Nil). During the period ended September 30, 2019, the Company incurred consulting fees of \$9,000 to a company with directors and officers in common (September 30, 2018 - \$Nil).

During the period ended September 30, 2019, the Company incurred share-based payments of \$4,953 (September 30, 2018 - \$6,378) to officers and directors of the Company.