



RIZAL RESOURCES CORPORATION

**Condensed Consolidated Interim Financial Statements
Three and Nine month periods ended September 30, 2018 and 2017
(Expressed in Canadian Dollars)**

<u>Index</u>	<u>Page</u>
Notice To Reader Of The Financial Statements	2
Condensed Consolidated Interim Financial Statements	
Condensed Consolidated Interim Statements of Financial Position	3
Condensed Consolidated Interim Statements of Comprehensive Loss	4
Condensed Consolidated Interim Statements of Changes in Equity	5
Condensed Consolidated Interim Statements of Cash Flows	6
Notes to the Consolidated Financial Statements	7 – 25

RIZAL RESOURCES CORPORATION

Condensed Consolidated Interim Financial Statements

November 29, 2018

(Unaudited – See “Notice to Reader” below)

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its external auditors have not reviewed the condensed consolidated interim financial statements for the period ended September 30, 2018.

NOTICE TO READER OF THE FINANCIAL STATEMENTS

The condensed consolidated interim financial statements of Rizal Resources Corporation (the "Company"), comprised of the condensed consolidated interim statement of financial position as at September 30, 2018, and the audited statement of financial position as at December 31, 2017, and the condensed consolidated interim statements of comprehensive income (loss), cash flows and changes in equity for the Nine months ended September 30, 2018, and 2017, are the responsibility of the Company's management. The condensed consolidated interim financial statements have not been reviewed on behalf of the shareholders by the independent external auditors of the Company, Smythe Ratcliffe Chartered Accountants.

The condensed consolidated interim financial statements have been prepared by management and include the selection of appropriate accounting principles, judgments and estimates necessary to prepare these condensed consolidated interim financial statements in accordance with International Financial Reporting Standards.

“Peter Main”

.....
Peter Main, Chief Executive Officer
November 29, 2018

“Peter Main”

.....
Peter Main, Chief Financial Officer
November 29, 2018

RIZAL RESOURCES CORPORATION
Condensed Consolidated Interim Statements of Financial Position
Unaudited
(Expressed in Canadian dollars)

	Notes	September 30, 2018	December 31, 2017
Assets			
Current			
Cash		\$ 361,265	500,539
Amounts and advances receivable		435,079	366,775
Prepaid Expenses		1,105,299	1,276,504
Inventories		857,241	-
Current portion of deferred financing fees	11	77,087	108,600
		2,835,971	2,252,418
Deferred financing fees	11	-	-
Property, plant and equipment	6	22,281,498	16,225,722
		\$ 25,117,469	18,478,140
Liabilities			
Current			
Accounts payable and accrued liabilities		\$ 11,089,046	10,655,734
Loans payable		14,714,285	6,732,565
Convertible notes	7	4,164,223	3,769,155
Due to related parties	8, 10	7,109,330	5,526,053
		37,076,885	26,683,507
Liability for site exclamation	6	2,063,286	2,048,228
Retirement benefit obligation		164,327	161,203
Loans Payable		-	1,027,946
Deferred income tax liability		696,068	678,302
		40,000,567	30,599,186
Shareholders' deficiency			
Share capital		\$ 68,387,455	66,474,770
Share subscriptions received in advance		205,697	1,973,958
Reserves		5,818,957	2,371,716
Deficit		(54,485,154)	(52,998,113)
Equity attributable to owners of the Company		19,926,992	17,822,331
Non-controlling interest		(34,810,090)	(29,943,377)
		(14,883,098)	(12,121,046)
		\$ 25,117,469	18,478,140

Approved on behalf of the Board:

"Neil Grimes"

.....
Neil Grimes, Director

"Peter Main"

.....
Peter Main, Director

See notes to the condensed consolidated interim financial statements.

RIZAL RESOURCES CORPORATION
Condensed Consolidated Interim Statements of Comprehensive Income (Loss)
Unaudited
(Expressed in Canadian dollars)

	Notes	Three months ended September 30		Nine months ended September 30	
		2018	2017	2018	2017
Expenses					
Bank charges and interest	\$	583,149	608,704	1,846,118	1,414,189
Consulting fees		111,165	84,333	456,745	834,233
Exploration and evaluation expenses		1,509,803	(7,982)	3,797,154	(1,190)
Legal and professional		30,709	37,509	143,618	206,470
Travel and accommodation		-	21,696	-	61,547
Office and miscellaneous		873,226	97,670	2,030,221	553,586
Regulatory and shareholder costs		8,328	8,698	25,643	38,647
Rent		-	12,896	-	15,016
Repairs and maintenance		-	838,614	-	1,885,195
Share-based payments		1,455,624	-	3,251,868	-
Loss before other items		(4,572,004)	(1,702,139)	(11,551,367)	(5,007,694)
Other Items					
Accretion of site reclamation liability		-	(3,671)	-	(11,013)
Incidental revenues, net		1,913,398	486,154	3,564,626	1,023,959
Royalties on metal sales		-	-	-	-
Share of income in equity accounted investment		-	-	-	-
Foreign exchange gain (loss)		815,413	(962,848)	1,633,019	(536,401)
Impairment of investment in Agusan		-	-	-	-
Impairment of Agusan loan		-	-	-	-
Net loss before income taxes		(2,163,294)	(2,182,504)	(6,353,724)	(4,531,149)
Deferred income tax expense		-	2,424	-	-
Net loss and comprehensive loss	\$	(2,163,294)	(2,184,928)	(6,353,724)	(4,531,149)
Net loss attributable to:					
Owners of the Company	\$	(4,098,769)	(1,180,180)	(4,866,710)	(3,047,538)
Non-controlling interest		1,935,477	(1,004,748)	(1,487,014)	(1,483,566)
	\$	(2,163,294)	(2,184,928)	(6,353,724)	(4,531,149)
Loss Per Share - basic and diluted	\$	(0.017)	(0.006)	(0.021)	(0.016)
Weighted Average Number of Common Shares Outstanding					
		242,628,386	188,217,712	234,603,233	188,217,712

See notes to the condensed consolidated interim financial statements.

RIZAL RESOURCES CORPORATION

Condensed Consolidated Interim Statements of Changes in Equity

Unaudited

(Expressed in Canadian dollars)

	Number of shares issued	Share capital (\$)	Share-based payments reserve (\$)	Warrants to be issued (\$)	Deficit (\$)	Equity Attributable to owners of the Company (\$)	Non- controlling interest (\$)	Shareholders' deficiency (\$)
Balance at December 31, 2016	188,217,712	66,038,987	3,177,481	-	(51,997,355)	17,219,113	(29,506,327)	(12,287,214)
Reclassification of the fair value of options and warrants on expiry			(477,124)		477,124			
Net loss for the period					(3,047,583)	(3,047,583)	(1,483,566)	(4,531,149)
Balance at September 30, 2017	188,217,712	66,038,987	2,700,357	-	(54,567,814)	14,171,530	(30,989,893)	(16,818,363)
Balance at December 31, 2017	197,828,332	66,474,770	2,371,716	1,973,958	(52,998,113)	17,822,331	(29,943,377)	(12,121,046)
Net loss for quarter ended September 30					(1,487,014)	(1,487,014)	(4,866,713)	(6,353,724)
Shares issued on conversion of debt	44,921,792	1,822,713	-	(1,768,260)		54,453		54,453
Shares issued for debt		89,972				89,972		89,972
Units to be issued			3,447,241			3,447,241		3,005,684
Balance at September 30, 2018	242,750,124	68,387,455	5,818,957	205,698	(54,485,154)	19,926,992	(34,810,090)	(14,883,098)

See notes to the condensed consolidated interim financial statements.

RIZAL RESOURCES CORPORATION
Condensed Consolidated Interim Statements of Cash Flows
Unaudited
(Expressed in Canadian dollars)

	Nine months ended September 30		Year ended December 31
	2018	2017	2017
	\$	\$	\$
Cash flows from operating activities			
Net loss for the period	(6,353,724)	(4,531,149)	(2,483,337)
Items not involving cash			
Amortization		319,195	-
Accretion of site reclamation liability			(15,335)
Deferred income tax expense	17,766	(64,432)	25,005
Retirement benefit obligation	3,124	(15,450)	5,539
Unrealized (gain) loss on foreign exchange		(536,401)	(264,630)
Loss (gain) on forgiveness of debt			(243,967)
Share-based payments	3,251,868		239,764
Amortization of deferred financing	31,513		94,540
Accretion and interest on debt		582,070	1,320,659
	(3,049,451)	(4,246,168)	(1,321,762)
Changes in non-cash working capital			
Amounts and advances receivable	841,425	(169,976)	(107,496)
Prepaid expenses and inventory	(1,595,765)	(146,871)	(360,752)
Accounts payable and accrued liabilities	433,312	5,144,396	4,061,781
Cash used in operating activities	(3,370,480)	581,381	2,271,771
Cash flows from investing activities			
Proceeds on sale of property, plant and equipment	-	-	-
Purchase of property and equipment	(6,055,776)	(2,737,343)	(8,201,138)
Cash used in investing activities	(6,055,776)	(2,737,343)	(8,201,138)
Cash flows from financing activities			
Proceeds from issuance of common shares	339,805	-	-
Proceeds from loans payable	8,552,109	3,276,637	5,313,031
Repayment of loans payable	-	-	(682,093)
Proceeds from convertible notes	395,068	-	1,874,160
Cash provided by financing activities	9,286,982	3,276,637	6,011,743
Inflow (Outflow) of Cash	(139,274)	1,120,675	82,376
Cash, Beginning of the period	500,539	418,163	418,163
Cash, End of the period	361,365	1,538,838	500,539

See notes to the condensed consolidated interim financial statements.

RIZAL RESOURCES CORPORATION
Notes to the Condensed Consolidated Interim Financial Statements
Unaudited
(Expressed in Canadian dollars, unless otherwise stated)
Quarters ended September 30, 2018 and 2017

1. GOING CONCERN AND NATURE OF OPERATIONS

Rizal Resources Corporation (formerly Cadan Resources Corporation) (the “Company” or “Rizal”) was incorporated on November 14, 1977 and continued under the laws of British Columbia on August 28, 2007. The Company is a development stage company, and its principal business activity is natural resource exploration, focusing on resources located in the Philippines. The head office, principal and registered address, and records office of the Company is Suite 600 – 666 Burrard Street, Vancouver, British Columbia, Canada V6C 3P6.

These condensed consolidated interim financial statements are prepared on a going concern basis, which contemplates that the Company will realize its assets and discharge its liabilities in the normal course of business. Accordingly, these consolidated financial statements do not give effect to any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

The Company had cash of \$361,365 at September 30, 2018 (December 31, 2017 – cash of \$500,539), but management cannot provide assurance that the Company will ultimately achieve profitable operations or become cash flow positive, or raise additional debt and/or equity capital. For the nine months ended September 30, 2018, the Company had a net loss of \$9,486,016 (nine months ended September 30, 2017 - \$(4,531,149)). At September 30, 2018, the Company had an accumulated deficit of \$56,966,923 (December 31, 2017 - \$52,998,113). The Company has not yet demonstrated an ability to produce a sustained source of revenue to satisfy its requirements to progress the development of the T’Boli mine and processing plant, meet repayment obligations of its debts and meet its administrative overhead and maintain its resource interests. The Company has historically relied principally upon the issuance of securities and debt to finance operations. However, the company has now commenced ramping the project toward commercial production and is therefore generating revenue. As the project heads toward a positive cashflow position in 2018, it will be able to sustain all costs associated from both corporate and operating activities.

Mining and exploration involves a high degree of risk and there can be no assurance that current mining and exploration programs will result in profitable mining operations.

The recoverability of the Company’s investment in, and expenditures on, exploration and evaluation assets, and property, plant and equipment is dependent on several factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of these properties, and future profitable production or proceeds from disposition of resource interests.

2. BASIS OF PRESENTATION

(a) Statement of Compliance

These condensed consolidated interim financial statements are prepared in accordance with the same accounting policies as compared with most recent annual financial statements and IAS 34, *Interim Financial Reporting* as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements. The condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2017, which were prepared in accordance with IFRS in effect at that date, as issued by the IASB.

(b) Approval of the consolidated financial statements

The condensed consolidated interim financial statements of the Company for the quarter ended September 30, 2018, were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on November 29, 2018.

(c) New accounting pronouncements and interpretations not yet adopted

RIZAL RESOURCES CORPORATION
Notes to the Condensed Consolidated Interim Financial Statements
Unaudited
(Expressed in Canadian dollars, unless otherwise stated)
Quarters ended September 30, 2018 and 2017

At the date of authorization of these condensed consolidated interim financial statements, the IASB has issued a number of new and revised standards and interpretations, which are not yet effective for the relevant reporting periods.

The Company has not early-adopted these standards, amendments and interpretations. The Company is currently assessing what impact the application of these standards or amendments will have on the condensed consolidated interim financial statements of the Company. The new accounting standards and interpretations that will be adopted in future years are as follows:

IFRS 9 *Financial Instruments*

This is a finalized version of IFRS 9, which contains accounting requirements for financial instruments, replacing IAS 39 *Financial Instruments: Recognition and Measurement*. The standard contains requirements in the following areas:

- Classification and measurement. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a “fair value through other comprehensive income” category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39; however, there are differences in the requirements applying to the measurement of an entity's own credit risk.
- Impairment. The 2014 version of IFRS 9 introduces an “expected credit loss” model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized.
- Hedge accounting. Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- Derecognition. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

Applicable to annual periods beginning on or after January 1, 2018.

IFRS 15 *Revenue from Contracts with Customers*

This new standard establishes a comprehensive framework for the recognition, measurement and disclosure of revenue replacing IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue — Barter Transactions Involving Advertising Services.

The main features introduced by this new standard compared with predecessor IFRS are as follows:

- Revenue is recognized based on a five-step model:
 1. Identify the contract with customer;
 2. Identify the performance obligations;
 3. Determine the transaction price;
 4. Allocate the transaction price to the performance obligations; and
 5. Recognize revenue when (or as) the performance obligations are satisfied.
- New disclosure requirements on information about the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

Applicable to annual periods beginning on or after January 1, 2018.

RIZAL RESOURCES CORPORATION
Notes to the Condensed Consolidated Interim Financial Statements
Unaudited
(Expressed in Canadian dollars, unless otherwise stated)
Quarters ended September 30, 2018 and 2017

IFRS 16 Leases

IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. 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 *Leases*.

Applicable to annual periods beginning on or after January 1, 2019.

3. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies used in the preparation of these condensed consolidated interim financial statements.

(a) Principles of consolidation

These condensed consolidated interim financial statements include the accounts of the Company (the ultimate parent company), its wholly owned subsidiaries, Esperanza Capital Corp. and its 20% interest in Exploradora La Esperanza S.A. (a Colombian company); Tribal Holdings Inc., Batoto Holdings Inc. and Philco Holdings Inc. (Canadian companies); and Tribal Processing Corporation ("Tribal Processing") (Philippine company); and the accounts of its partially owned (40%) Philippine affiliates, Agusan Metals Corporation ("Agusan"), Batoto Resources Corporation ("Batoto") and TMC Tribal Mining Corporation ("TMC"), referred to throughout the condensed consolidated interim financial statements as the "Philippine companies". The Company owns 40% of each of the Philippine companies, which have been consolidated, as they meet the criteria under IFRS 10 *Consolidated Financial Statements*. The Company's ownership percentage in the Philippine companies is a result of Philippine laws restricting foreign ownership, but the Company is acting as operator of the Philippine companies. The remaining 60% ownership of each of the Philippine companies is owned by the two respective presidents of those companies. Each president has signed an option agreement allowing the Company to acquire control in certain circumstances. All significant intercompany balances and transactions have been eliminated on consolidation.

Non-controlling interest in the net assets of consolidated partially owned Philippine companies are identified separately from the Company's equity. Non-controlling interest consists of the non-controlling interest at the date of the original business combination plus the non-controlling interest's share of changes in equity since the date of acquisition.

(b) Use of judgments and estimates

The preparation of the condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated interim financial statements, and the reported amounts of revenues and expenses during the reporting period. In particular, significant judgments made by management in the application of IFRS during the preparation of the consolidated interim financial statements and estimates with a risk of material adjustment are:

RIZAL RESOURCES CORPORATION
Notes to the Condensed Consolidated Interim Financial Statements
Unaudited
(Expressed in Canadian dollars, unless otherwise stated)
Quarters ended September 30, 2018 and 2017

(i) Realization of assets

The Company's property, plant and equipment (note 6) comprises a significant portion of the Company's assets. Realization of the Company's investments is dependent upon the Company satisfying governmental requirements, satisfaction of possible aboriginal claims, raising sufficient funds to develop the respective projects, the attainment of successful production from the properties, or from the proceeds upon disposal of the Company's interests therein. Resource exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines.

(ii) Liability for site reclamation

Environmental legislation is becoming increasingly stringent and the costs of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and development of mineral resource properties, the potential for production on the properties may be diminished or negated.

The Company is subject to laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral activities in compliance with applicable environmental protection legislation.

Management must make judgments about the existence and valuation of environmental liabilities. The assessment of provision for environmental liabilities requires management to assess the stage of exploration and development activities in each mineral property, compliance with local environmental regulations and agreements in place. Future obligations to retire an asset, including dismantling, remediation and ongoing treatment and monitoring of the site related to normal operations, when determined to exist are initially recognized and recorded as a liability based on estimated future cash flows discounted at a credit-adjusted risk-free rate.

Site reclamation costs will be incurred by the Company many years into the future. Amounts recorded for site reclamation require the use of management's best estimates of future decommissioning expenditures, expected timing of expenditures and future inflation rates. The estimates are based on internal and third party information and calculations are subject to changes in laws and regulations, public expectations, prices, discovery and analysis of site conditions, and changes in clean up technology. Actual costs and outflows can differ from estimates and may have a material impact on earnings or financial position.

As at September 30, 2018, the Company has a liability for site reclamation of \$2,063,286 (December 31, 2017 - \$2,048,228).

(iii) Impairment assessment

Annually, the Company assesses whether indicators of impairment exist with respect to its exploration and evaluation assets, and property, plant and equipment. If indicators of impairment are identified, the Company then assesses whether its assets' carrying values are greater than their recoverable values. The Company has considered its incidental revenues from recovery of minerals, forecast budgets for development, exploration and financing, mineral commodity prices and the expected timelines to full

RIZAL RESOURCES CORPORATION
Notes to the Condensed Consolidated Interim Financial Statements
Unaudited
(Expressed in Canadian dollars, unless otherwise stated)
Quarters ended September 30, 2018 and 2017

production at the Company's T'Boli property (note 6) in assessing whether there were indicators of impairment for its property, plant and equipment, and exploration and evaluation costs. Impairment indicators were assessed on exploration and evaluation costs incurred to the point in time when they became mine development assets, at which point they are reclassified to property, plant and equipment. Management is aware that variances to the data utilized in the assessment for indicators of impairment could result in a material variance to the amounts presented in the consolidated financial statements.

(iv) Convertible notes and loans payable

Management must make judgments about the valuation of convertible notes and loans payable, principally through the determination of appropriate discount rates for similar debt without conversion features and/or attached warrants. The Company reviewed discount rates in use by companies of similar size, industry and life cycle stage, to determine appropriate discount rates. Management also considered the Company's history of borrowings, the general economic outlook for junior exploration and development entities, and its overall access to credit facilities. If the assumptions used in arriving at the discount rates used by management are determined to be incorrect, then a material variance to the amounts presented in the consolidated financial statements could result.

(v) Contingencies

By their nature, contingencies, including the retirement benefit obligation, will only be resolved when one or more uncertain future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events, including the use of actuarial assumptions. If actual future events differ from the assumptions used by management, it could result in a material variance to the amounts recorded in the consolidated financial statements.

(vi) Deferred income taxes

Deferred tax assets and liabilities are recognized for the estimated tax consequences between amounts included in the consolidated financial statements and their tax base using substantively enacted future income tax rates. Timing of future revenue streams and future capital spending changes can affect the timing of any temporary differences, and accordingly, affect the amount of the deferred tax asset or liability calculated at a point in time. These differences could materially impact earnings.

(vii) Going concern

The assessment of whether the going concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but is not limited to 12 months from the end of the reporting period. The Company is aware that material uncertainties exist related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. While management believes the estimates noted above are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

RIZAL RESOURCES CORPORATION
Notes to the Condensed Consolidated Interim Financial Statements
Unaudited
(Expressed in Canadian dollars, unless otherwise stated)
Quarters ended September 30, 2018 and 2017

4. FINANCIAL INSTRUMENTS

Categories of financial instruments

	September 30, 2018	December 31, 2017
Financial assets		
FVTPL, at fair value		
Cash	361,265	500,539
Loans and receivables		
Amounts and advances receivable	435,079	303,873
Available-for-sale, at fair value		
Loan to Agusan	-	-
Total financial assets	796,344	804,412
Financial liabilities		
Other liabilities, at amortized cost		
Accounts payable and accrued liabilities	11,089,046	10,655,734
Loans payable	14,714,285	6,732,565
Convertible notes	4,164,223	3,769,155
Due to related parties	7,109,330	5,526,053
Total financial liabilities	37,076,885	26,683,507

Fair value

The carrying values of amounts and advances receivable (excluding GST receivable), accounts payable and accrued liabilities, and due to related parties approximate their fair values due to the short terms to maturity of these financial instruments. The loans payable have been valued using the effective interest rate method.

The carrying values of convertible notes were determined, in accordance with Level 2 of the fair value hierarchy, by discounting the face value of the notes over the terms of each note by a discount rate of 60%, and accreting the discount over the respective term to the anticipated conversion date of the notes.

The following table provides an analysis of the Company's financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the inputs used to determine the fair value are observable.

- Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1, that are observable either directly or indirectly.
- Level 3 fair value measurements are those derived from valuation techniques that include inputs that are not based on observable market data.

RIZAL RESOURCES CORPORATION

Notes to the Condensed Consolidated Interim Financial Statements

Unaudited

(Expressed in Canadian dollars, unless otherwise stated)

Quarters ended September 30, 2018 and 2017

	September 30, 2018	December 31, 2017
Level 1		
Cash	\$ 361,265	\$ 500,539
Level 2		
Convertible notes	\$ 4,164,223	\$ 3,769,155
Level 3		
Loan to Agusan	\$ -	\$ -

(a) Credit risk

The Company is exposed to credit risk with respect to its cash. Cash has been placed on deposit with major Canadian and Philippine financial institutions. The risk arises from the non-performance of counterparties of contractual financial obligations.

The Company manages credit risk, in respect of cash, by maintaining deposits at major financial institutions with strong investment-grade ratings.

Concentration of credit risk exists with respect to the Company's cash, as the majority of the amounts are held with only a few Canadian and Philippine financial institutions. The Company's concentration of credit risk and maximum exposure thereto, is as follows:

	September 30, 2018	December 31, 2017
Canadian dollar equivalent		
Australian dollar	\$ 5,316	\$ 4,298
Canadian dollar equivalent	147	9,169
United States Dollar	2,339	180
Philippine peso	353,455	486,892
Total cash	\$ 361,257	\$ 500,539

The Company is also exposed to credit risk with respect to its amounts and advances receivable.

(b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk.

(i) Interest rate risk

Interest rate risk consists of two components:

- (a) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.
- (b) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

The Company's cash is held in bank accounts. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on their estimated fair values as of September 30, 2018 and December 31, 2017. Future

RIZAL RESOURCES CORPORATION
Notes to the Condensed Consolidated Interim Financial Statements
Unaudited
(Expressed in Canadian dollars, unless otherwise stated)
Quarters ended September 30, 2018 and 2017

cash flows from interest income on cash are not expected to be material. The Company manages interest rate risk by investing in highly liquid investments with maturities of one year or less.

The Company's convertible notes, loans payable and due to related parties are at fixed rates of interest.

(ii) Foreign currency risk

The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in Canadian dollars.

The Company is exposed to foreign currency risk with respect to cash, accounts payable and accrued liabilities, and amounts due to related parties, as a portion of these amounts are denominated in Philippine pesos, Australian dollars ("AU") and US dollars as follows:

	September 30, 2018	December 31, 2017
Canadian dollar equivalent		
<u>Philippine Pesos</u>		
Cash	\$ 353,455	\$ 486,892
Accounts payable and accrued liabilities	(5,463,001)	(6,648,094)
Loans payable	(514,532)	(516,861)
<u>AU\$</u>		
Cash	5,316	4,298
Accounts payable and accrued liabilities	(2,025,939)	(1,805,095)
Loans Payable	(822,152)	-
Due to related parties	(149,639)	(30,861)
Convertible notes	(1,950,028)	(1,910,688)
<u>US\$</u>		
Cash	2,339	180
Accounts payable and accrued liabilities	(484,622)	(513,422)
Loans payable	(12,712,107)	(2,866,773)
Due to related parties	(5,966,393)	(5,495,192)
Net exposure		
Canadian dollar equivalent	\$ (29,727,302)	\$ (19,295,616)

The Company manages foreign currency risk by only holding funds in foreign currencies for short-term requirements. The Company has not entered into any foreign currency contracts and does not utilize derivatives to mitigate this risk.

A 1% fluctuation in the value of the Philippine peso, Australian dollar and US dollar at September 30, 2018 would result in a change to net loss and comprehensive loss of approximately \$297,000 (December 31, 2017 - \$198,000).

(ii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk.

(c) Liquidity risk

RIZAL RESOURCES CORPORATION

Notes to the Condensed Consolidated Interim Financial Statements

Unaudited

(Expressed in Canadian dollars, unless otherwise stated)

Quarters ended September 30, 2018 and 2017

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows required for operations and anticipated investing and financing activities. Accounts payable are all due within thirty days and amounts due to related parties, excluding convertible notes (notes 7 and 10) due to related parties and amounts due under the credit facilities (notes 8 and 10), are without specific terms of repayment; however, they are expected to be repaid within one year.

The Company will require significant cash funding to conduct its exploration programs, meet its administrative overhead costs, meet its repayment obligations, maintain its resource interests and bring its T'Boli gold processing operation to full production capacity. This will require the Company to obtain additional financing.

RIZAL RESOURCES CORPORATION
Notes to the Condensed Consolidated Interim Financial Statements
Unaudited
(Expressed in Canadian dollars, unless otherwise stated)
Quarters ended September 30, 2018 and 2017

6. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Vehicles and exploration equipment	Construction in progress	Office furniture and equipment	Total
Cost						
Balance, December 31, 2016	271,183	513,686	2,961,755	5,448,088	57,802	9,252,514
Disposals	-	-	-	-	-	-
Transfer from exploration and evaluation assets	-	-	-	-	-	-
Change in value of site reclamation	-	-	-	(26,348)	-	(26,348)
Additions	-	-	1,208,148	7,870,591	2,583	9,081,322
Balance, December 31, 2017	271,183	513,686	4,169,903	13,292,331	60,385	18,307,488
Additions	0	0	3,244,882	3,786,426	0	7,133,041
Balance, September 30, 2018	271,183	513,686	7,414,785	17,078,757	162,118	25,440,529
Accumulated amortization and impairment losses						
Balance, December 31, 2016	-	147,328	1,381,133	-	57,684	1,586,145
Amortization on disposals	-	-	-	-	-	-
Amortization	-	22,905	470,226	-	2,490	495,621
Balance, December 31, 2017	-	170,233	1,851,359	-	60,174	2,081,766
Amortization	-	19,755	1,029,087	0	28,422	1,077,264
Balance, September 30, 2018	-	189,988	2,880,446	0	88,596	3,159,030
Net book value						
Balance, December 31, 2017	217,183	343,453	2,318,544	13,292,331	211	16,225,722
Balance, September 30, 2018	271,183	323,698	4,534,339	17,078,757	73,522	22,281,499

T'Boli, Barangay Kematu, Municipality of T'Boli, South Cotabato Province, Philippines

The Company has received the Mines and Geosciences Bureau's Declaration of Mining Project Feasibility enabling the Company to process material at the T'Boli gold-silver mine within the Mineral Processing and Sharing Agreement. However, to date the Company has used this ability only to process incidental material stockpiles available from exploration activities. During January 2016, the Company determined that the T'Boli project had entered the development phase.

Incidental revenues for the nine months ended September 30, 2018, were recorded in the condensed consolidated interim statement of comprehensive loss amounted to \$3,564,626 (September 30, 2017 - \$1,023,959). There is a 2% mineral royalty payable to the government of the Philippines in respect of mineral production.

As at September 30, 2018, a liability for site reclamation for this property amounted to \$2,063,286 (December 31, 2017 - \$2,048,228). The liability is estimated based on detailed mine rehabilitation plan

RIZAL RESOURCES CORPORATION
Notes to the Condensed Consolidated Interim Financial Statements
Unaudited
(Expressed in Canadian dollars, unless otherwise stated)
Quarters ended September 30, 2018 and 2017

costs of PHP \$42,400,000 inflated at 1.50% (December 31, 2017 – 1.50%) over the term of the plan from 2010 to 2022 and discounted to present value using a 5-year risk free rate of 1.10% (December 31, 2017 – 5-year risk free rate of 1.11%).

In connection with the Company's credit facility agreement with Mighty River International Ltd. ("Mighty River"), Rizal, Mighty River and Rizal's Philippine affiliate, TMC, entered into royalty agreements pursuant to which Mighty River is entitled to receive a 1.5% production royalty on the T'Boli mine located in the Philippines for each US \$1 million advanced to the Company.

In connection with the Claymore Capital Pty. Ltd. ("Claymore") debt facility agreement, Claymore is entitled to receive a 1.5% production royalty once the Company has received US \$500,000. As at September 30, 2018, the Company had received US \$2,300,000.

7. CONVERTIBLE NOTES

- (a) During the year ended December 31, 2017, the Company received proceeds of AU \$1,900,000 (\$1,874,160) related to convertible notes. The notes were issued on January 1, 2017, have an interest rate of 12% per annum, and expire on December 31, 2017. The face value of the debt was allocated into its liability and conversion components. On issuance, the conversion feature did not meet the fixed-for-fixed test under IFRS, as a result of the convertible notes being denominated in Australian dollars, while the shares they are convertible into are denominated in Canadian dollars. As such, the conversion feature was accounted for as a financial liability and not as equity. The composition of the convertible note at issuance was as follows:

Debt liability fair value	\$ 984,562
Derivative liability fair value	993,345
Gain on issuance of derivative liability	(103,747)
	\$ 1,874,160

On December 31, 2017, \$187,755 of the convertible notes were converted into 3,755,100 units, consisting of one common share and one common share purchase warrant. The units were not issued until 2018. The value of the \$187,755 to be converted is included within equity reserves as units to be issued. \$254,021 of the convertible notes were extended until July 31, 2018. One holder of \$1,656,666 convertible notes did not agree to extend or convert. On January 1, 2018, the conversion feature for the \$1,656,666 convertible notes expired; these notes continue to remain outstanding and will continue to accrue interest at 12% per annum.

At September 30, 2018, the convertible notes had a carrying value of \$1,941,326., while the principal and accrued interest totalled \$2,067,864.

- (b) The Company refinanced \$1,930,873 of convertible notes that expired during the year ended December 31, 2017. The terms of the refinancing were as follows:
- i. \$1,105,125 of principal and accrued interest was refinanced into convertible notes with an interest rate of 12% per annum and an expiry date of September 30, 2018. The convertible note holders were also issued 22,102,500 common share purchase with an exercise price of \$0.05 and an expiry of 3 years from the date of issuance.
 - ii. \$686,058 of principal and accrued interest was refinanced into convertible notes with an interest rate of 12% per annum and an expiry date of January 31, 2019. The convertible note holders were also issued 13,721,160 common share purchase warrants with an exercise price of \$0.05 and an expiry of 3 years from the date of issuance.
 - iii. \$139,690 of principal and accrued interest was refinanced into convertible notes with an interest rate of 12% per annum and an expiry date of September 30, 2020. The convertible note holders were also issued 2,793,800 common share purchase

RIZAL RESOURCES CORPORATION
Notes to the Condensed Consolidated Interim Financial Statements
Unaudited
(Expressed in Canadian dollars, unless otherwise stated)
Quarters ended September 30, 2018 and 2017

warrants with an exercise price of \$0.05 and an expiry of 3 years from the date of issuance.

At the date of the refinancing, the convertible notes were accounted for as follows:

	September 30, 2018	December 31, 2017
Debt liability fair value	\$ 2,037,958	\$ 1,725,175
Equity conversion option	58,402	205,698
	\$ 2,096,360	\$ 1,930,873

At December 31, 2017, the carrying value of the convertible notes equalled the principal, accrued interest and accretion of \$1,802,061. As at September 30, 2018. These convertible notes are now due and payable.

- (c) During the year ended December 31, 2017, the Company came to agreement with the holders of expired convertible notes totalling \$1,588,563, to convert the outstanding balance into 31,771,260 units, each consisting of one common share and one common share purchase warrant. The value of \$1,588,563 converted is included within equity reserves as units to be issued. The warrants have an exercise price of \$0.05 and expire 1 year from the date of issuance. The units were not issued until subsequent to year end (note 20).

The carrying values of the convertible notes as at September 30, 2018 and December 31, 2017 were:

	September 30, 2018	December 31, 2017
Debt obligation at inception	\$ 2,709,737	\$ 2,709,737
Derivative liability at inception	993,345	993,345
Gain on revaluation of derivative liability	131,732	(936,938)
Accrued interest	173,302	263,097
Accretion	156,107	739,914
	4,164,223	\$ 3,769,155

RIZAL RESOURCES CORPORATION

Notes to the Condensed Consolidated Interim Financial Statements

Unaudited

(Expressed in Canadian dollars, unless otherwise stated)

Quarters ended September 30, 2018 and 2017

8. CREDIT FACILITY

On May 2, 2013, the Company entered into an agreement with Mighty River, who at the time the agreement was entered into was a related party, being a company that had a director in common with Rizal and who owned over 10% of the issued and outstanding shares of Rizal. Mighty River agreed to provide the Company with up to a US \$5 million loan facility. Amounts drawn bear interest at a rate of 8% per annum and were repayable in 12 months from the draw date. In connection with the loan agreement, Rizal provided Mighty River with security over all its assets, and Rizal, Mighty River and Rizal's Philippine affiliate, TMC, entered into royalty agreements pursuant to which Mighty River is entitled to receive a 1% production royalty on the T'Boli mine located in the Philippines for each US \$1 million advanced to Rizal (note 7).

On May 27, 2014, the Company and Mighty River amended the agreement extending the final maturity date and repayment date to December 31, 2015.

On November 27, 2015, the Company reached an agreement with Mighty River to extend the maturity date of the note to September 30, 2016, and refinance \$904,000 (US \$800,000), being a portion of the amounts owed on the credit facility for interest and royalties and issued 18,080,000 units at \$0.05 per unit. Each unit consists of one common share and one warrant to purchase one common share for 12 months at \$0.10.

On September 7, 2016, the Company reached an agreement with Mighty River to refinance \$400,000 (US \$307,500), being a portion of the amounts owed on the credit facility for interest and issued 8,000,000 units at \$0.05 per unit. Each unit consists of one common share and one warrant to purchase one common share for one year at \$0.10. The warrants are subject to an acceleration provision. In the event the closing price of the Company's common shares on the TSX Venture Exchange ("TSXV") equals or exceeds \$0.25 for a period of 15 consecutive trading days, the Company may accelerate the expiry date of the warrants by giving notice to the holders thereof and the warrants will thereafter expire on the date that is thirty days after the after the date of the notice to the holders (note 9). The Company is in discussions on repayment terms with Mighty River Credit Facility that matured as at September 30, 2017.

On June 30, 2018, the outstanding interest up to March 31, 2018 was capitalised into the principle of the loan totalling US \$309,641.

At September 30, 2018, the Company had total principal, interest and royalties owing to Mighty River of \$5,966,393 (US \$4,624,752) (December 31, 2017 - \$5,495,192 (US \$4,142,706), which is included in amount due to related parties.

On May 31, 2018, the company entered into an agreement with LSG Resources for a facility agreement of US \$600,000, with an interest rate of 15% per annum and a maturity of July 31, 2019. As at September 30, 2018, the company has drawn down US \$1,040,000. Total principal and interest owing as at September 30, 2018 is US \$1,069,248.

On June 15, 2018, the company reached an agreement with Peter Main to refinance the outstanding balance owed to him for consulting fees and expenses into a loan facility of \$ 1,088,370. The facility has an interest rate of 12% per annum and maturity of August 31, 2019. Total principal and interest owing as at September 30, 2018 is \$1,142,937.

On June 23, 2018, the company entered into an agreement with Gold Valley Holdings for a facility agreement of US \$1,000,000, with an interest rate of 15% per annum and a maturity of July 31, 2019. As at September 30, 2018, the company has drawn down \$792,200. Total principal and interest owing as at September 30, 2018 is \$822,152.

RIZAL RESOURCES CORPORATION

Notes to the Condensed Consolidated Interim Financial Statements

Unaudited

(Expressed in Canadian dollars, unless otherwise stated)

Quarters ended September 30, 2018 and 2017

9. SHARE CAPITAL

(a) Authorized

Unlimited common shares without par value

(b) Issued

At September 30, 2018, 242,750,124 (December 31, 2017 – 197,828,332) common shares were issued and outstanding.

On July 6, 2018 the Company issued 2,215,632 shares for debt. The shares issued had a fair value of \$33,235.

On March 7, 2018 the Company issued 12,063,160 shares for debt. The shares issued had a fair value of \$466,054.

On February 14, 2018 the Company issued 3,755,100 shares for debt. The shares issued had a fair value of \$200,522.

On February 5, 2018 the Company issued 19,708,100 shares for debt. The shares issued had a fair value of \$843,055.

On January 30, 2018 the Company issued 3,227,000 shares for debt. The shares issued had a fair value of \$112,945.

On January 19, 2018 the Company issued 3,952,800 shares for debt. The shares issued had a fair value of \$186,081.

On December 7, 2017 the Company issued 9,610,620 shares for debt. The shares issued had a fair value of \$435,783, resulting in a gain on debt settlement of \$243,967.

(c) Stock options

The Company has a stock option plan whereby the Board of Directors is authorized to grant options to a rolling ceiling of 10% of the issued and outstanding common shares of the Company.

Options to purchase common shares have been granted to directors, employees and consultants at exercise prices determined by reference to the market value on the date of the grant. The terms of the option and the option price are fixed by the directors at the time of grant subject to restrictions imposed by the TSXV. Stock options awarded have a maximum term of ten years. The vesting terms of the options are determined by the directors; however, options granted to investor relations consultants are subject to a minimum twelve-month vesting schedule whereby no more than 25% vest in any three-month period. Stock options held by officers, directors, employees or consultants of the Company expire one year following their departure from the Company.

During the nine months ended September 30, 2018, the Company granted 6,00,000 options (December 31, 2017 -6,000,000) with an exercise price of \$0.05 expiring on June 15, 2023. The Company valued the options granted using the Black-Scholes option pricing model and arrived at a fair value of share-based compensation of \$85,920 (December 31, 2017 - \$239,764). The inputs to the Black-Scholes option pricing model for the nine months ended September 30, 2018 were as follows:

i. Risk free rate:	2.0%
ii. Volatility:	198%
iii. Dividend yield:	nil
iv. Term to maturity:	5 years
v. Share price at grant:	\$0.05 per share

RIZAL RESOURCES CORPORATION
Notes to the Condensed Consolidated Interim Financial Statements
Unaudited
(Expressed in Canadian dollars, unless otherwise stated)
Quarters ended September 30, 2018 and 2017

During the year ended December 31, 2017, the Company granted 6,000,000 options (December 31, 2016 - nil options) with an exercise price of \$0.05 expiring between May 22, 2022 and December 5, 2022. The Company valued the options granted using the Black-Scholes option pricing model and arrived at a fair value of share-based compensation of \$239,764 (December 31, 2016 - \$nil). The inputs to the Black-Scholes option pricing model for the year ended December 31, 2017 were as follows:

vi. Risk free rate:	2.8%
vii. Volatility:	159%
viii. Dividend yield:	nil
ix. Term to maturity:	5 years
x. Share price at grant:	\$0.05 per share

During nine months ended September 30, 2018 and 2017, no options expired, however 750,000 options were forfeited at a fair value of \$36,480. As at September 30, 2018 and December 31, 2017, the following incentive stock options were outstanding and exercisable:

Expiry Date	Exercise Price	September	December
		30, 2018	31, 2017
December 23, 2020	\$ 0.05	8,625,000	12,000,000
May 22, 2020	\$ 0.05	5,500,000	5,000,000
December 5, 2022	\$ 0.05	1,000,000	1,000,000
June 15, 2023	\$ 0.05	6,000,000	-
		21,125,000	18,000,000

The options outstanding and exercisable at September 30, 2018 and December 31, 2017 have weighted average remaining contractual lives of 3.69 and 3.94 years, respectively.

Stock option activity is as follows:

	September 30, 2018		December 31, 2017	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding and exercisable, beginning of the period	18,000,000	0.05	12,163,738	\$ 0.07
Granted	6,000,000		6,000,000	\$ 0.05
Expired / Forfeiture	(3,675,000)		(163,738)	\$ 3.06
Outstanding and exercisable, end of year	21,125,000	0.05	18,000,000	\$ 0.05

RIZAL RESOURCES CORPORATION
Notes to the Condensed Consolidated Interim Financial Statements
Unaudited
(Expressed in Canadian dollars, unless otherwise stated)
Quarters ended September 30, 2018 and 2017

Share-based payments

During the three months ended September 30, 2018, 6,750,000 options were granted to employees at an exercise price of \$0.05. The fair value of the options was \$85,920.

(d) **Warrants**

During the nine months ended September 30, 2018, the Company issued 116,402,843 warrants with an exercise price between \$0.05 (year ended December 31, 2017 – 48,228,080 warrants with exercise prices between \$0.065 and \$0.10), and no warrants expired (year ended December 31, 2017 – 35,178,500 warrants with exercise prices between \$0.10 and \$0.12).

As at September 30, 2018 and December 31, 2017, the following share purchase warrants were outstanding:

Expiry Date	Exercise Price	September 30 2018	December 31 2017
December 7, 2018	\$ 0.05	7,490,620	7,490,620
March 15, 2019	\$ 0.065	12,461,538	12,461,538
May 18, 2019	\$ 0.065	11,750,000	11,750,000
July 29, 2019	\$ 0.065	15,067,846	15,067,846
October 13, 2019	\$ 0.06	7,655,283	7,655,283
September 30, 2020	\$ 0.05	2,793,800	2,793,800
November 21, 2020	\$ 0.05	22,102,500	22,102,500
December 1, 2020	\$ 0.05	5,000,000	-
December 7, 2020	\$ 0.05	2,120,000	2,120,000
December 18, 2020	\$ 0.05	29,428,720	13,721,160
January 19, 2021	\$ 0.05	2,793,800	-
January 30, 2021	\$ 0.05	3,227,000	-
February 5, 2021	\$ 0.06	23,463,200	-
March 7, 2021	\$ 0.05	12,063,160	-
Dec 1, 2020	\$ 0.05	5,000,000	-
July 5, 2021	\$ 0.05	215,632	-
July 27, 2021	\$ 0.05	32,165,100	-
September 4, 2021	\$ 0.05	21,767,391	-
		217,365,590	100,962,747

Share purchase warrant transactions and the number of share purchase warrants outstanding are summarized as follows:

	September 30, 2018		December 31, 2017	
	Number of options	Weighted average exercise price (\$)	Number of options	Weighted average exercise price (\$)
Outstanding, beginning of year	100,962,747	0.07	87,913,167	0.08
Issued	116,402,843	0.05	48,228,080	0.05
Expired	-	-	(35,178,500)	0.10
Outstanding, end of year	217,365,590	0.06	100,962,747	0.07

RIZAL RESOURCES CORPORATION
Notes to the Condensed Consolidated Interim Financial Statements
Unaudited
(Expressed in Canadian dollars, unless otherwise stated)
Quarters ended September 30, 2018 and 2017

10. RELATED PARTY TRANSACTIONS AND BALANCES

At September 30, 2018, the Company owed \$7,152,479 (2017 - \$6,579,663) to related parties, of which amounts owed to officers and directors are included in accounts payable, and are as follows:

	September 30, 2018	December 31, 2017
Officers and directors for:		
Consulting and directors fees	\$ 308,200	\$ 958,552
Reimburse expenses	149,639	30,861
Convertible notes (note 8)	-	95,058
Due to related parties	7,109,330	5,495,192
	\$ 7,567,169	\$ 6,579,663

During the nine months ended June 30, 2018 and 2017, the Company incurred key management compensation during the year, including the issuance of 3,000,000 shares in the prior period to its CEO in accordance with his contract. The shares were valued at \$150,000, the trading price at the time of issue. The following table describes the key management compensation during the nine months ended September 30, 2018 and 2017:

	September 30 2018	September 30 2017
Short-term benefits paid or accrued to personal service corporations	-	226,100
Short-term benefits paid directly	-	28,500
	-	254,600

Included in short-term benefits is \$Nil (September 30, 2017 - \$254,600) expensed to consulting fees.

At September 30, 2018 the Company was committed to pay termination payments to officers of the Company, in the event of termination without cause, of between two and three years of annual salary. If all termination payments are triggered, the Company would be required to pay \$592,000 (December 31, 2017 - \$1,092,000).

11. LOANS PAYABLE

- (a) On December 3, 2012, the Company entered into a loan agreement for US \$280,000. The loan bears interest of 8% per annum, matured March 3, 2013 and was unsecured. As at December 31, 2017, the loan remains in default and continues to accrue interest. The interest and principal of the loan totaled \$495,218 as at September 30, 2018 (December 31, 2017 - \$516,861).
- (b) On January 11, 2016, the Company entered into an agreement with Claymore for a three-year US \$6.4 million debt facility. Details of the debt facility include:
- a) Term of 3 years
 - b) Annual interest rate of 12%
 - c) Four staged payments based on agreed targets which include
 - Stage 1 – US \$600,000 within 6 weeks of signing the Binding Term Sheet. Completed February 24, 2016.
 - Stage 2 – US \$600,000 – confirmation of sustainable production at 200 tonnes per day (“tpd”). Completed March 18, 2016.

RIZAL RESOURCES CORPORATION

Notes to the Condensed Consolidated Interim Financial Statements

Unaudited

(Expressed in Canadian dollars, unless otherwise stated)

Quarters ended September 30, 2018 and 2017

- Stage 3 – US \$1.1 million – confirmation of planned increase in production to 400 tpd. Completed May 19, 2016.
- Stage 4 – US \$4.25 million – subject to confirmation of maintainable production at 400 tpd.

- d) The Company has and will issue three-year detachable warrants on receipt of payments at each stage described above. The warrant prices for tranche 1 are the greater of \$0.065 and the prevailing market price of Rizal's shares. The warrant prices for tranches 2 through 4 are the market price as at the date on which the advance was made (note 11). On March 15, 2016, the Company also issued 5,800,000 five-year \$0.10 warrants under the terms of the debt facility as finder's fees, which is recorded as deferred financing costs and amortized over the term of the loan. The amount amortized for the nine months ended September 30, 2018, is \$77,087 (December 31, 2017 - \$94,540). The unamortized balance as at September 30, 2018, is \$Nil (December 31, 2017 - \$108,600), of which \$77,087 (December 31, 2017 - \$108,600) is classified as a current asset.
- e) Security – the debt facility shares first ranking security with Rizal's existing secured debt holders.
- f) Production royalty – Rizal will pay a 1.5% royalty once a minimum of US \$500,000 has been received. The royalty remains in place until the loans have been fully repaid.

The advances were recognized initially at fair value, which was calculated based on the application of a market interest rate of 22.5%. The difference between the face value and the initial fair value of the loan has been recorded in share-based payment reserves. As at December 31, 2017, the Company had received US \$2,300,000 (December 31, 2016 – US \$2,300,000), which is recorded on the consolidated statement of financial position at its fair value. On September 30, 2018, the outstanding interest and management fees up to March 31, 2018 were capitalised into the principle of the loan totalling US \$586,606. Total principal and interest owing as at September 30, 2018 is US \$2,865,835 (\$3,697,214) (December 31, 2017 - US \$2,280,103 (\$2,866,773)).

- (c) On August 23, 2017, the Company entered into an agreement with Trade Finance Corporation for a 6 month US \$2 million transactional loan. The loan bears interest of 20% per annum. On December 13, 2017, the loan was restructured into a new agreement with an extra US \$800,000 added to the loan. This also adjusted the term to 18 months and the interest rate to 15% per annum. In February 2018 an additional US \$700,000 was drawn down. On June 26, 2018 an additional US \$2,022,000 was drawn down by the company. Outstanding balance of principal and interest at September 30, 2018 was \$7,635,457, of which \$ nil is classified as a non-current liability.
- (d) Throughout 2017, Gold Valley Holdings supplied with the Company with funding when required at an interest rate of 12% per annum. Advances under the credit facility were \$1,024,682, there was \$59,316 in interest accrued, and a repayment of \$495,155 (which included the payment of accrued interest of \$36,426) was made. In February 2018, further AU \$255,000 was provided in funding to the Company. The outstanding balance as at September 30, 2018 is \$846,422. There is no term on this loan as at September 30, 2018.
- (e) On December 1, 2017, the Company entered into an agreement with Premium Mining Personnel to convert \$197,640 of debt owed into 3,952,800 shares and warrants. The value of \$197,640 converted is included within equity reserves as units to be issued. The warrants have an exercise price of \$0.05 and expire 3 years after issue. On January 19, 2018 the shares and warrants were approved by the TSX.

RIZAL RESOURCES CORPORATION
Notes to the Condensed Consolidated Interim Financial Statements
Unaudited
(Expressed in Canadian dollars, unless otherwise stated)
Quarters ended September 30, 2018 and 2017

12. SEGMENTED INFORMATION

The Company has one operating segment: resource property exploration. The Company's corporate assets are located in Canada. The Company's resource property investments are made through corporations located in the Philippines.

	September 30, 2018		
	Canada	Philippines	Consolidated
Current Assets	141,356	2,694,601	2,835,977
Property, plant and equipment	3,670,424	18,611,074	22,281,498
Total Assets	3,811,780	21,305,675	25,117,469
Total Liabilities	30,503,807	9,496,760	40,000,567

	December 31, 2017		
	Canada	Philippines	Consolidated
Current assets	163,405	2,089,013	2,252,418
Deferred financing fees	-	-	-
Property, plant and equipment	2,366,264	13,859,458	16,225,722
Total Assets	2,529,669	15,948,471	18,478,140
Total Liabilities	\$12,284,187	18,314,999	30,599,186

13. CONTINGENT LIABILITY

No contingent liabilities as at the quarter ending September 30, 2018.

14. EVENTS AFTER THE REPORTING DATE

No events to report after the reporting date.