

RIVERSIDE RESOURCES INC.

(An Exploration Stage Enterprise)

Consolidated Financial Statements

September 30, 2008 and 2007

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AUDITORS' REPORT

To the Shareholders of
Riverside Resources Inc.

We have audited the consolidated balance sheet of Riverside Resources Inc. as at September 30, 2008 and the consolidated statement of operations and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The audited financial statements at September 30, 2007 and for the year then ended were examined by other auditors who expressed an opinion without reservation on those statements in their report dated January 8, 2008.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Accountants

January 13, 2009



RIVERSIDE RESOURCES INC.
(An Exploration Stage Enterprise)
Consolidated Balance Sheets as at September 30

| | 2008 | 2007 |
|---------------------------------|--------------|--------------|
| Assets | | |
| Current assets: | | |
| Cash | \$ 174,127 | \$ 1,730,683 |
| Short-term Investments (Note 4) | 3,767,243 | 361,442 |
| Taxes receivable | 119,009 | 23,024 |
| Other receivable | 12,996 | 5,553 |
| Prepaid expenses | 54,445 | 75,131 |
| | 4,127,820 | 2,195,833 |
| Equipment (Note 5) | 13,938 | 18,480 |
| Mineral Properties (Note 6) | 1,594,022 | 260,751 |
| | \$ 5,735,780 | \$ 2,475,064 |

Liabilities and Shareholders' Equity

| | | |
|--|--------------|--------------|
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$ 177,885 | \$ 155,864 |
| Shareholders' equity: | | |
| Share capital (Note 7b) | 7,428,603 | 3,191,291 |
| Contributed surplus (Note 7b) | 344,153 | 295,291 |
| Deficit | (2,214,861) | (1,167,382) |
| | 5,557,895 | 2,319,200 |
| | \$ 5,735,780 | \$ 2,475,064 |

Nature of Operations (Note 1)
Subsequent Events (Note 14)

On behalf of the Board:

| | | | |
|-----------------------|----------|-----------------------|----------|
| <u>“Murray Seitz”</u> | Director | <u>“Brian Groves”</u> | Director |
| Murray Seitz | | Brian Groves | |

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

RIVERSIDE RESOURCES INC.

(An Exploration Stage Enterprise)

Consolidated Statements of Operations and Deficit for the year ended September 30

| | 2008 | 2007 |
|---|----------------|----------------|
| Expenses | | |
| Amortization | \$ 20,088 | \$ 9,878 |
| Computer expenses | - | 949 |
| Consulting fees | 307,310 | 183,234 |
| Dues and subscriptions | 18,484 | 24,908 |
| Filing fees | 22,196 | 49,122 |
| Foreign exchange | 5,442 | 1,777 |
| Insurance | 29,485 | 8,167 |
| Investor relations | 213,747 | 70,527 |
| Office expenses | 23,768 | 14,096 |
| Professional development | 12,087 | - |
| Professional fees | 118,803 | 230,811 |
| Property investigation and evaluation | 36,549 | 122,304 |
| Rent | 77,750 | 47,840 |
| Stock based compensation | 112,420 | 329,896 |
| Telecommunications | 26,936 | 6,604 |
| Travel and entertainment | 81,187 | 76,154 |
| | (1,106,252) | (1,176,267) |
| Other income/(loss) | | |
| Interest Income | 97,322 | 8,885 |
| Unrealized loss on short-term investments | (9,000) | - |
| Write-down of mineral properties | (29,549) | - |
| | 58,773 | 8,885 |
| Net loss and comprehensive loss for the year | (1,047,479) | (1,167,382) |
| Deficit, beginning of the year | (1,167,382) | - |
| Deficit, end of the year | \$ (2,214,861) | \$ (1,167,382) |
| Loss per share - basic and diluted | \$ (0.07) | \$ (0.22) |
| Weighted average number of common shares outstanding | | |
| - basic and diluted | 15,678,371 | 5,277,682 |

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

RIVERSIDE RESOURCES INC.

(An Exploration Stage Enterprise)

Consolidated Statements of Cash Flows for the year ended September 30

| | 2008 | 2007 |
|--|-------------|-------------|
| OPERATING ACTIVITIES | | |
| Loss for the year | (1,047,479) | (1,167,382) |
| Items not involving cash | | |
| Amortization | 20,088 | 9,878 |
| Consulting fees | - | 20,000 |
| Stock-based compensation | 112,420 | 329,896 |
| Unrealized loss on short-term investments | 9,000 | - |
| Write-down of mineral properties | 29,549 | - |
| | (876,422) | (807,608) |
| Change in non-cash working capital items: | | |
| Prepaid expenses | 20,686 | (75,131) |
| Tax receivable | (95,985) | (23,024) |
| Other receivables | (7,443) | (5,327) |
| Accounts payable and accrued liabilities | (59,751) | 155,864 |
| | (1,018,915) | (755,226) |
| INVESTING ACTIVITIES | | |
| Acquisition of equipment | (15,546) | (28,358) |
| Mineral interest acquisition and exploration | (1,187,148) | (240,751) |
| Short term investments | (3,414,801) | (361,442) |
| | (4,617,495) | (630,551) |
| FINANCING ACTIVITIES | | |
| Share capital, net of issuance costs | 4,079,854 | 3,116,460 |
| | 4,079,854 | 3,116,460 |
| Increase (decrease) in cash & cash equivalents | (1,556,556) | 1,730,683 |
| Cash, beginning of the year | 1,730,683 | - |
| Cash, end of the year | 174,127 | 1,730,683 |

Supplemental Disclosures with respect to Cash Flows (Note 11)

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

RIVERSIDE RESOURCES INC.

(An Exploration Stage Enterprise)

Notes to the Consolidated Financial Statements

For the year ended September 30, 2008

1. Nature of Operations:

Riverside Resources Inc. (the "Company") was incorporated under the laws of British Columbia, Canada on July 4, 2006 and is primarily engaged in the acquisition, exploration and development of mineral properties located in Mexico, United States and Canada. The Company was inactive and had no transactions until February 2007.

On June 28, 2007, the Company incorporated a subsidiary, Riverside Resources Mexico, S.A., de C.V. in Mexico.

2. Going-Concern:

These consolidated financial statements have been prepared on a going-concern basis, which presumes the realization of assets and the discharge of liabilities in the normal course of business for the foreseeable future.

The Company reported a net loss of \$1,047,479 for the year ended September 30, 2008 and has an accumulated deficit of \$2,214,861 at September 30, 2008. The Company also has working capital of \$3,949,935 at September 30, 2008.

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. These consolidated financial statements do not include any adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

3. Significant Accounting Policies:

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies adopted by the Company are as follows:

(a) Principles of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary Riverside Resources Mexico, S.A., de C.V. All significant inter-company transactions and balances have been eliminated upon consolidation.

(b) Foreign Currency Translation

Amounts recorded in foreign currency are translated into Canadian dollars as follows:

- (i) Monetary assets and liabilities, at the rate of exchange in effect as at the balance sheet date;
- (ii) Non-monetary assets and liabilities, at the exchange rates prevailing at the time of the acquisition of the assets or assumption of the liabilities; and

Gains and losses arising from the translation of foreign currency are included in the determination of net loss.

RIVERSIDE RESOURCES INC.

(An Exploration Stage Enterprise)

Notes to the Consolidated Financial Statements

For the year ended September 30, 2008

3. Significant Accounting Policies: (continued)

(c) Short-term Investments

Short-term investments include Canadian guaranteed investment certificates with a major Canadian Banking Institution, and held-for-trading securities.

(d) Equipment

Equipment is carried at cost less accumulated amortization. Amortization is calculated using the declining balance method at the following annual rates:

| | |
|-------------------|------|
| Computer hardware | 45% |
| Computer software | 100% |

In the year of acquisition, amortization is recorded at one-half the normal rate.

(e) Mineral Properties

The Company records mineral property interests, which consist of the right to explore for mineral deposits, at cost. The Company records deferred exploration costs, which consist of costs attributable to the exploration of mineral property interests, at cost. All direct and indirect costs relating to the acquisition and exploration of these mineral property interests are capitalized on the basis of specific claim blocks until the mineral property interests to which they relate are placed into production, the mineral property interests are disposed of through sale or where management has determined there to be an impairment. If a mineral property interest is abandoned, the mineral property interests and deferred exploration costs will be written off to operations in the period of abandonment.

On an ongoing basis, the capitalized costs are reviewed on a property-by-property basis to consider if there is any impairment on the subject property. Management's determination for impairment is based on: 1) whether the Company's exploration programs on the mineral property interests have significantly changed, such that previously identified resource targets are no longer being pursued; 2) whether exploration results to date are promising and whether additional exploration work is being planned in the foreseeable future; or 3) whether remaining lease terms are insufficient to conduct necessary studies or exploration work.

The recorded cost of mineral property interests is based on cash paid and the assigned value of share consideration issued (where shares are issued) for mineral property interest acquisitions and exploration costs incurred. The recorded amount may not reflect recoverable value, as this will be dependent on future development programs, the nature of the mineral deposit, commodity prices, adequate funding and the ability of the Company to bring its projects into production.

RIVERSIDE RESOURCES INC.

(An Exploration Stage Enterprise)

Notes to the Consolidated Financial Statements

For the year ended September 30, 2008

3. Significant Accounting Policies: (continued)

(f) Asset Retirement Obligations

An asset retirement obligation is a legal obligation associated with the retirement of tangible long-lived assets that the Company is required to settle. This would include obligations related to future removal of property and equipment, and site restoration costs. The Company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability. The Company currently does not have any significant asset retirement obligations.

(g) Impairment of Long-Lived Assets

The Company follows the recommendations of the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3063, "Impairment of Long-Lived Assets". Section 3063 establishes standards for recognizing, measuring and disclosing impairment of long-lived assets held for use. The Company conducts its impairment test on long-lived assets when events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment is recognized when the carrying amount of an asset to be held and used exceeds the undiscounted future net cash flows expected from its use and disposal. If there is an impairment, the impairment amount is measured as the amount by which the carrying amount of the asset exceeds its fair value, calculated using discounted cash flows when quoted market prices are not available.

(h) Loss per Share

Basic loss per share computation is based on the weighted average number of common shares outstanding during the period. Diluted loss per share has not been presented separately as the outstanding options and warrants are anti-dilutive. Shares held in escrow at year-end that are held based on a contingency other than the passage of time have not been included in the calculation of weighted average number of common shares.

(i) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and would impact future results of operations and cash flows.

(j) Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is provided against future tax assets when it is more likely than not that the tax asset will not be utilized.

RIVERSIDE RESOURCES INC.

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Notes to the Consolidated Financial Statements

For the year ended September 30, 2008

3. Significant Accounting Policies: (continued)

(k) Financial Instruments

The Company follows the new recommendations of the Canadian Institute of Chartered Accountants (“CICA”) under CICA Handbook Section 1530 “Comprehensive Income” (“Section 1530”), Section 3251 “Equity”, Section 3855 “Financial Instruments – Recognition and Measurement” (“Section 3855”), Section 3861 “Financial Instruments – Disclosure and Presentation” and Section 3865 “Hedges”. These new sections, which apply to fiscal years beginning on or after October 1, 2006, provide requirements for the recognition and measurement of financial instruments and on the use of hedge accounting. Section 1530 establishes standards for reporting and presenting comprehensive income which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income but that are excluded from net income calculated in accordance with Canadian generally accepted accounting principles.

Under Section 3855, all financial instruments are classified into five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments and derivatives are measured in the balance sheet at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification as follows: (1) held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income; (2) available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired; and (3) all derivative instruments, including embedded derivatives, are recorded in the balance sheet at fair value unless they qualify for normal sale normal purchase exemption and changes in fair value are recorded in other comprehensive income.

As a result of the adoption of these new standards, the Company has classified its cash and short-term investments as held-for-trading. Taxes and other receivables are classified as loans and receivables. Accounts payables and accrued liabilities are classified as other financial liabilities, all of which are measured at amortized cost. The Company measures all derivatives and embedded derivatives at fair value and the Company maintained its policy not to use hedge accounting.

Section 3855 also provides guidance on accounting for transaction costs incurred upon issuance of debt instruments or modification of a financial liability. Transaction costs are not deducted from the financial liability and are amortized using the effective interest method over the life of the related liability.

(l) Stock-Based Compensation

The fair value of stock options granted is determined using the Black-Scholes option pricing model and is recorded as stock-based compensation over the vesting period of the stock options.

(m) Comparative Figures

Certain comparative figures have been reclassified to conform to the current year’s presentation.

RIVERSIDE RESOURCES INC.

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Notes to the Consolidated Financial Statements

For the year ended September 30, 2008

3. Significant Accounting Policies: (continued)

Change in Accounting Policy

Capital disclosures and financial instruments – disclosures and presentation

On December 1, 2006, the CICA issued three new accounting standards: Handbook Section 1535, “Capital Disclosures”, Handbook Section 3862, “Financial Instruments – Disclosures”, and Handbook Section 3863, “Financial Instruments – Presentation”. Section 1535 specifies the disclosure of (i) an entity’s objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

The new Sections 3862 and 3863 replace Handbook Section 3861, “Financial Instruments – Disclosure and Presentation”, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how a company manages those risks. These new sections became effective January 1, 2008 and do not have a material impact on the Company’s financial position (Note 12 and 13).

Future Accounting Changes

The Company will adopt the new standard “Goodwill and Intangible Assets” (Section 3064) for its fiscal year beginning October 1, 2008. This Section replaces Section 3062 “Goodwill and Other Intangible Assets” and Section 3450 “Research and Development Costs”. The new Section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in Section 3062. The Company is currently evaluating the impact of the adoption of this new Section on its consolidated financial statements.

In addition to the above new accounting pronouncements the Canadian Accounting Standards Board (“AcSB”) in 2006 published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with International Financial Reporting Standards (“IFRS”) over a five-year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-accountable enterprises to use IFRS, replacing Canada’s own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of October 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended September 30, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

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Notes to the Consolidated Financial Statements

For the year ended September 30, 2008

4. 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 the property option agreements (Note 6). As of September 30, 2008, the fair values of the short-term investments are as follows:

| | 2008 | 2007 |
|---|---------------------|-------------------|
| Guaranteed investment certificates | \$ 3,756,243 | \$ 361,442 |
| Held-for-trading securities in public companies | 11,000 | - |
| | <u>\$ 3,767,243</u> | <u>\$ 361,442</u> |

5. Equipment:

| Computer | Cost | | Accumulated Amortization | | Net Book Value | |
|----------|------------------|------------------|--------------------------|-----------------|------------------|------------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Hardware | \$ 16,162 | \$ 11,376 | \$ 7,604 | \$ 2,560 | \$ 8,558 | \$ 8,816 |
| Software | 27,742 | 16,982 | 22,362 | 7,318 | 5,380 | 9,664 |
| | <u>\$ 43,904</u> | <u>\$ 28,358</u> | <u>\$ 29,966</u> | <u>\$ 9,878</u> | <u>\$ 13,938</u> | <u>\$ 18,480</u> |

RIVERSIDE RESOURCES INC.
(An Exploration Stage Enterprise)
Notes to the Consolidated Financial Statements
For the year ended September 30, 2008

6. Mineral Properties:

For the year ended September 30, 2008

| | Scheelite Dome Canada | Chapalota Mexico | Carrizal Mexico | La Ventosa Mexico | El Capitan Mexico | Cerro Azul Mexico | Libertad Mexico | Sugarloaf Peak USA | Total 2008 |
|--------------------------------------|-----------------------------|---------------------|--------------------|----------------------|----------------------|----------------------|--------------------|--------------------------|---------------|
| Acquisition costs | \$ 61,367 | \$ 6,192 | \$ 3,890 | \$ 12,119 | \$ 131,339 | \$ 8,198 | \$ 20,606 | \$ 85,178 | \$ 328,889 |
| Exploration costs: | | | | | | | | | |
| Assaying | 9,057 | 1,484 | - | 1,208 | 78,641 | 3,315 | 2,891 | 10,473 | 107,069 |
| Camp costs | 243 | 115 | 28 | 145 | 3,844 | 769 | 328 | 934 | 6,406 |
| Drilling | 124,903 | - | - | - | 216,137 | - | - | - | 341,040 |
| Field costs | 1,823 | 1,191 | 2,303 | 2,866 | 15,077 | 5,191 | 233 | 2,414 | 31,098 |
| Geological consulting | 58,198 | 50,693 | 20,963 | 18,070 | 161,358 | 35,639 | 23,860 | 62,682 | 431,463 |
| Labour | 46,665 | 545 | 263 | 37 | 1,723 | 486 | 2,230 | - | 51,949 |
| Surveys & geophysics | - | - | - | - | 3,623 | 205 | - | - | 3,828 |
| Travel | 9,145 | 10,171 | 1,902 | 10,871 | 57,393 | 13,831 | 9,242 | 13,030 | 125,585 |
| Total current exploration costs | 250,034 | 64,199 | 25,459 | 33,197 | 537,796 | 59,436 | 38,784 | 89,533 | 1,098,438 |
| Professional fees: | | | | | | | | | |
| Professional consulting | 5,000 | 7,000 | - | 4,500 | 13,508 | - | - | 7,000 | 37,008 |
| Legal fees | 4,454 | 4,535 | - | 5,164 | 33,521 | - | - | 5,227 | 52,901 |
| Insurance | - | - | - | - | 1,193 | 1,193 | 1,193 | - | 3,579 |
| Total current professional fees | 9,454 | 11,535 | - | 9,664 | 48,222 | 1,193 | 1,193 | 12,227 | 93,488 |
| Total costs incurred during the year | 320,855 | 81,926 | 29,349 | 54,980 | 717,357 | 68,827 | 60,583 | 186,938 | 1,520,815 |
| Balance, Opening | 237,833 | 22,718 | 200 | - | - | - | - | - | 260,751 |
| Property written off | - | - | (29,549) | - | - | - | - | - | (29,549) |
| Recoveries | (50,000) | (66,176) | - | (41,819) | - | - | - | - | (157,995) |
| Balance, End of the year | \$ 508,688 | \$ 38,468 | \$ - | \$ 13,161 | \$ 717,357 | \$ 68,827 | \$ 60,583 | \$ 186,938 | \$ 1,594,022 |
| Cumulative costs: | | | | | | | | | |
| Acquisition | \$ 116,367 | \$ 11,657 | \$ 3,890 | \$ 12,119 | \$ 131,339 | \$ 8,198 | \$ 20,606 | \$ 85,178 | \$ 389,354 |
| Exploration | 432,867 | 81,452 | 25,659 | 33,197 | 537,796 | 59,436 | 38,784 | 89,533 | 1,298,724 |
| Professional | 9,454 | 11,535 | - | 9,664 | 48,222 | 1,193 | 1,193 | 12,227 | 93,488 |
| Write-off | - | - | (29,549) | - | - | - | - | - | (29,549) |
| Recoveries | (50,000) | (66,176) | - | (41,819) | - | - | - | - | (157,995) |
| | \$ 508,688 | \$ 38,468 | \$ - | \$ 13,161 | \$ 717,357 | \$ 68,827 | \$ 60,583 | \$ 186,938 | \$ 1,594,022 |

RIVERSIDE RESOURCES INC.

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For the year ended September 30, 2008

6. Mineral Properties: (continued)

For the year ended September 30, 2007

| | Scheelite Dome Canada | Chapalota Mexico | Carrizal Mexico | Total 2007 |
|--------------------------------------|--------------------------------------|-----------------------------|----------------------------|-----------------------|
| Acquisition costs | \$ 55,000 | \$ 5,465 | \$ - | \$ 60,465 |
| Exploration costs: | | | | |
| Assaying | - | 2,272 | - | 2,272 |
| Camp costs | 20,718 | - | - | 20,718 |
| Drilling | 47,679 | - | - | 47,679 |
| Field costs | 117 | 2,881 | - | 2,998 |
| Geological consulting | 112,021 | 12,100 | 200 | 124,321 |
| Travel | 2,298 | - | - | 2,298 |
| Total current exploration costs | 182,833 | 17,253 | 200 | 200,286 |
| Total costs incurred during the year | 237,833 | 22,718 | 200 | 260,751 |
| Balance, Opening | - | - | - | - |
| Properties written off | - | - | - | - |
| Balance, End of the year | \$ 237,833 | \$ 22,718 | \$ 200 | \$ 260,751 |
| Cumulative costs: | | | | |
| Acquisition | \$ 55,000 | \$ 5,465 | \$ - | \$ 60,465 |
| Exploration | 182,833 | 17,253 | 200 | 200,286 |
| | \$ 237,833 | \$ 22,718 | \$ 200 | \$ 260,751 |

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6. Mineral Properties: (continued)

Title to mineral property interests involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral claims. The Company has investigated title to all of its mineral property interests and, to the best of its knowledge, title to all of its interests are in good standing. The mineral property interests in which the Company has committed to earn an interest are located in Canada, the United States and Mexico.

The terms and commitments of the Company with respect to its mineral properties are subject to change if and when the Company and its partners mutually agree to new terms and conditions.

(a) Scheelite Dome, Yukon, Canada

On February 16, 2007, the Company entered into an option agreement with Copper Ridge Explorations Inc. to acquire an undivided 51% interest in certain mineral properties located in Yukon, Canada, with the following terms:

- i. Payment of \$25,000 within 30 days of the signing of the agreement (Paid).
- ii. Incur \$1,800,000 of cumulative exploration expenditures on the properties over a four-year period as follows:
 - Minimum of \$250,000 by the first anniversary of the agreement (Incurred);
 - Minimum of \$650,000 (cumulative) by the second anniversary of the agreement;
 - Minimum of \$1,200,000 (cumulative) by the third anniversary of the agreement; and
 - Minimum of \$1,800,000 (cumulative) by the fourth anniversary of the agreement.
- iii. Issuance of 300,000 common shares of the Company over a four-year period as follows:
 - 100,000 common shares within 30 days of the signing of the agreement (Issued);
 - An additional 50,000 common shares by the first anniversary of the agreement (Issued);
 - An additional 50,000 common shares by the second anniversary of the agreement;
 - An additional 50,000 common shares by the third anniversary of the agreement; and
 - An additional 50,000 common shares by the fourth anniversary of the agreement.

The Company has a second option to acquire an additional 14% undivided interest in the property subject to the following terms:

- Incurring an additional \$2,000,000 in expenditures on the property by the seventh anniversary of the signing of the agreement; and
- Issuing an additional 300,000 common shares in the capital stock of the Company by the seventh anniversary of the signing of the agreement.

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For the year ended September 30, 2008

6. Mineral Properties: (continued)

(b) Chapalota, Sinaloa, Mexico

On September 14, 2007, the Company applied to acquire a 100% exploration concession interest in the Chapalota Property which is located in southern Sinaloa, Mexico. The title to the concession interest was received March 7, 2008.

On September 12, 2008, the Company signed an option agreement to option the Chapalota Gold Project ("Chapalota Property") to Arcus Development Group Inc ("Arcus"). To exercise the initial option and acquire a 51% interest in the Chapalota property, Arcus is required to complete following:

- i. Incur \$4,000,000 of cumulative exploration expenditures on the property over a four-year period as follows:
 - Minimum of \$500,000 by the first anniversary of the effective date of the agreement;
 - Minimum of \$1,500,000 (cumulative) by the second anniversary of the effective date of the agreement;
 - Minimum of \$2,500,000 (cumulative) by the third anniversary of the effective date of the agreement; and
 - Minimum of \$4,000,000 (cumulative) by the fourth anniversary of the effective date of the agreement.
- ii. Payment of \$300,000 in cash and issuance of 350,000 Arcus shares to the Company over a four-year period as follows:
 - \$50,000 in cash and 50,000 common shares within 5 business days of the effective date of the agreement (Paid and issued);
 - An additional \$50,000 in cash and 50,000 common shares by the first anniversary of the effective date of the agreement;
 - An additional \$50,000 in cash and an additional 50,000 common shares by the second anniversary of the effective date of the agreement;
 - An additional \$50,000 in cash and an additional 100,000 common shares by the third anniversary of the effective date of the agreement; and
 - An additional \$100,000 in cash and an additional 100,000 common shares by the fourth anniversary of the effective date of the agreement.

Arcus can acquire an additional 14% interest in the Chapalota Property by incurring an additional \$2,500,000 in exploration expenditures and paying the Company \$500,000 in cash or at the Company's election, the Arcus common share equivalent, by December 11, 2014.

(c) Carrizal, Sinaloa, Mexico

On October 19, 2007, the Company applied to acquire a 100% exploration concession interest in the Carrizal Property in Sinaloa, Mexico. The Company has decided not to continue with this property and all associated expenditures have been written off to operations.

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(An Exploration Stage Enterprise)
Notes to the Consolidated Financial Statements
For the year ended September 30, 2008

6. Mineral Properties: (continued)

(d) La Ventosa, Oaxaca, Mexico

On December 18, 2007, the Company applied to acquire a 100% exploration concession interest in the La Ventosa Property which is located in southeastern Oaxaca, Mexico. The title to the concession interest was received April 4, 2008.

On September 12, 2008, the Company signed an option agreement with Arcus Development Group Inc. whereby Arcus can earn a 51% interest in the Ventosa Project by completing the following:

- i. Incurring \$2,000,000 of cumulative exploration expenditures on the properties over a three-year period as follows:
 - Minimum of \$250,000 by the first anniversary of the effective date of the agreement;
 - Minimum of \$1,000,000 (cumulative) by the second anniversary of the effective date of the agreement; and
 - Minimum of \$2,000,000 (cumulative) by the third anniversary of the effective date of the agreement.
- ii. Payment of \$150,000 in cash and issuance of 200,000 Arcus shares over a three-year period as follows:
 - \$25,000 in cash and 50,000 common shares within 5 business days of the effective date of the agreement (Paid and issued);
 - An additional \$25,000 in cash and 50,000 common shares by the first anniversary of the effective date of the agreement;
 - An additional \$50,000 in cash and an additional 50,000 common shares by the second anniversary of the effective date of the agreement; and
 - An additional \$50,000 in cash and an additional 50,000 common shares by the third anniversary of the effective date of the agreement.

Arcus can acquire an additional 14% interest in the Chapalota Property by incurring an additional \$2,000,000 in exploration expenditures and paying the Company \$300,000 in cash, or at the option of the Company, the Arcus common share equivalent, by December 11, 2013.

(e) El Capitan, Durango, Mexico

On January 31, 2008, the Company optioned the El Capitan property. The option agreement provides the Company the ability to earn a 100% interest in the El Capitan property, with the following terms:

- i. Payment of US\$25,000 and issuance of 20,000 shares on acceptance for filing of the agreement by the TSX Venture Exchange (Paid and issued).
- ii. Incurring US\$1,650,000 of cumulative exploration expenditures on the properties over a four-year period as follows:
 - Minimum of \$250,000 by the first anniversary of the agreement (Incurred);
 - Minimum of \$650,000 (cumulative) by the second anniversary of the agreement;
 - Minimum of \$1,050,000 (cumulative) by the third anniversary of the agreement; and
 - Minimum of \$1,650,000 (cumulative) by the fourth anniversary of the agreement.

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Notes to the Consolidated Financial Statements

For the year ended September 30, 2008

6. Mineral Properties: (continued)

(e) El Capitan, Durango, Mexico (continued)

- iii. Payment of US\$425,000 in cash and issuance of a maximum of 1,960,000 common shares of the Company over a four-year period as follows:
- US\$12,500 in cash and a maximum of 30,000 common shares six months from the initial date of the agreement (Paid and issued);
 - An additional US\$12,500 and a maximum of an additional 30,000 common shares 12 months from the initial date of the agreement;
 - An additional US\$12,500 and a maximum of an additional 50,000 common shares 18 months from the initial date of the agreement;
 - An additional US\$12,500 and a maximum of an additional 50,000 common shares 24 months from the initial date of the agreement;
 - An additional US\$12,500 and a maximum of an additional 100,000 common shares 30 months from the initial date of the agreement;
 - An additional US\$12,500 and a maximum of an additional 100,000 common shares 36 months from the initial date of the agreement;
 - An additional US\$150,000 and a maximum of an additional 100,000 common shares 42 months from the initial date of the agreement; and
 - An additional US\$200,000 and a maximum of an additional 1,500,000 common shares 48 months from the initial date of the agreement.

The optionor will receive a 2% NSR which can be reduced to 1.5% by paying US\$500,000.

On May 30, 2008, the Company's subsidiary was assigned an option agreement dated April 18, 2008 for properties named Jesus Maria, Primera Amplacion De Jesus Maria and San Rafael, adjacent to the El Capitan property. The Company can earn a 100% interest in these properties by making the following cash payments:

- US\$25,000 upon signing of the agreement (Paid);
- An additional US\$50,000 12 months from the initial date of the agreement;
- An additional US\$25,000 18 months from the initial date of the agreement;
- An additional US\$25,000 24 months from the initial date of the agreement;
- An additional US\$50,000 30 months from the initial date of the agreement;
- An additional US\$50,000 36 months from the initial date of the agreement; and
- An additional US\$575,000 40 months from the initial date of the agreement.

On March 19, 2008 the Company filed for an additional concession, surrounding the El Capitan concession, in the Penoles Mining District, Durango, Mexico.

RIVERSIDE RESOURCES INC.

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Notes to the Consolidated Financial Statements

For the year ended September 30, 2008

6. Mineral Properties: (continued)

(f) Sugarloaf Peak, Arizona, USA

On April 11, 2008, the Company signed an option agreement to acquire a 100% interest in the Sugarloaf Peak Gold Deposit located west of Quartzsite, Arizona, USA from a private Arizona based company, with the following terms:

- i. Payment of US\$35,000 in cash upon acceptance of the TSX Venture Exchange (Paid).
- ii. Incurring US\$1,500,000 of cumulative exploration expenditures on the properties over a four-year period as follows:
 - Minimum of US\$100,000 by the first anniversary of the agreement;
 - Minimum of US\$300,000 (cumulative) by the second anniversary of the agreement;
 - Minimum of US\$700,000 (cumulative) by the third anniversary of the agreement; and
 - Minimum of US\$1,500,000 (cumulative) by the fourth anniversary of the agreement.
- iii. Payment of US\$265,000 in cash over a four-year period as follows:
 - US\$50,000 on the date that is 12 months after the signature date;
 - US\$50,000 on the date that is 24 months after the signature date;
 - US\$75,000 on the date that is 36 months after the signature date;
 - US\$90,000 on the date that is 48 months after the signature date.

The property is subject to a 1.5% NSR which can be repurchased for US\$1,000,000 at any time during the agreement leaving a 0.5% NSR.

(g) Cerro Azul, Guerrero, Mexico

On April 11, 2008, the Company filed for a mineral exploration concession in the Guerrero Gold Belt of southern Mexico and has claimed a 100% interest, with no underlying royalties, in the Cerro Azul Project.

(h) Libertad, Sonora, Mexico

On June 19, 2008, the Company signed an option agreement to acquire a 100% interest in the Destierro gold property in western Sonora, Mexico, for US\$400,000 in cash payments payable to the optionors as follows:

- US\$10,000 in cash upon signing of the agreement (Paid);
- An additional US\$15,000 in cash by the first anniversary of the agreement;
- An additional US\$25,000 in cash by the second anniversary of the agreement;
- An additional US\$50,000 in cash by the third anniversary of the agreement; and
- An additional US\$300,000 in cash by the fourth anniversary of the agreement.

In anticipation of executing the above noted option agreement on May 19, 2008, the Company also applied for an additional mineral exploration concession surrounding the Destierro property and received title to this concession on August 18, 2008.

RIVERSIDE RESOURCES INC.

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Notes to the Consolidated Financial Statements

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7. Share Capital:

(a) Authorized

Unlimited number of common voting shares without nominal or par value

Unlimited number of preferred voting shares without nominal or par value

(b) Issued and outstanding

Preferred shares – Nil

Common shares:

| | Number of shares | Share Capital | Contributed Surplus |
|--|---------------------|---------------|------------------------|
| Opening Balance | | | |
| Incorporation | 1 | \$ 1 | \$ - |
| Seed financing - issued for cash | 7,078,891 | 933,945 | - |
| Seed financing - issued for services | 1,000,000 | 47,000 | - |
| Allocated to share purchase warrants | - | - | 8,000 |
| Shares issued for mineral property | 100,000 | 20,000 | - |
| IPO shares - issued for cash | 4,983,832 | 2,491,916 | - |
| IPO shares - issued for finance cost | 30,000 | 15,000 | - |
| Exercise of agents' warrants | 450 | 225 | - |
| Stock based compensation - stock options granted | - | - | 216,796 |
| Share issuance costs | - | (316,796) | 70,495 |
| Balance, September 30, 2007 | 13,193,174 | 3,191,291 | 295,291 |
| Exercise of options | 155,000 | 138,271 | (60,771) |
| Exercise of agents' warrants | 12,101 | 8,838 | (2,787) |
| Exercise of warrants | 199,725 | 87,725 | - |
| Private placements - issued for cash | 4,050,000 | 4,020,000 | - |
| Shares issued for private placement finder's fee | 118,500 | 106,650 | - |
| Shares issued for mineral properties | 100,000 | 93,900 | - |
| Stock based compensation - stock options granted | - | - | 112,420 |
| Share issuance costs | - | (218,072) | - |
| Balance, September 30, 2008 | 17,828,500 | \$ 7,428,603 | \$ 344,153 |

RIVERSIDE RESOURCES INC.

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Notes to the Consolidated Financial Statements

For the year ended September 30, 2008

7. Share Capital: (continued)

(b) Issued and outstanding common shares (continued)

- i. On October 19, 2007, the Company issued 10,478 common shares for gross proceeds of \$5,239 due to an exercise of agents' warrants.
- ii. On January 18, 2008, the Company issued 5,000 common shares for gross proceeds of \$2,500 due to an exercise of options.
- iii. On February 14, 2008, the Company completed a non-brokered private placement consisting of 2,800,000 units at a price of \$0.90 per unit for gross proceeds of \$2,520,000. As part of the financing the Company incurred cash costs of \$42,344 and issued 118,500 additional units as a finder's fee. Each unit consisted of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one common share exercisable at a price of \$1.30 for a period of two years.
- iv. On February 25, 2008, the Company issued 50,000 common shares at a value of \$50,000 to Copper Ridge Explorations Inc. in accordance with the Scheelite Dome option agreement (See Note 6(a) iii).
- v. On February 25, 2008, the Company issued 20,000 common shares at a value of \$19,000 to Exploraciones Del Altiplano, S.A. de C.V. in accordance with the El Capitan option agreement (See Note 6(e) i).
- vi. On February 25, 2008, the Company issued 50,000 common shares for gross proceeds of \$25,000 due to an exercise of options.
- vii. On February 29, 2008, the Company issued 225 common shares for gross proceeds of \$225 due to an exercise of warrants.
- viii. On March 3, 2008, the Company issued 10,000 common shares for gross proceeds of \$10,000 due to an exercise of warrants.
- ix. On March 12, 2008, the Company issued 9,500 common shares for gross proceeds of \$9,500 due to an exercise of warrants.
- x. On March 18, 2008, the Company issued 160,000 common shares for gross proceeds of \$48,000 due to an exercise of warrants.
- xi. On May 26, 2008, the Company issued 100,000 common shares for gross proceeds of \$50,000 due to an exercise of options.
- xii. On May 26, 2008, the Company issued 165 common shares for gross proceeds of \$83 due to an exercise of agents' warrants.
- xiii. On May 26, 2008, the Company completed a non-brokered private placement consisting of 1,250,000 common shares at a price of \$1.20 per share for gross proceeds of \$1,500,000.
- xiv. On June 18, 2008, the Company issued 10,000 common shares for gross proceeds of \$10,000 due to an exercise of warrants.
- xv. On June 18, 2008, the Company issued 1,458 common shares for gross proceeds of \$729 due to an exercise of agents' warrants.

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For the year ended September 30, 2008

7. Share Capital: (continued)

(b) Issued and outstanding common shares (continued)

xvi. On July 2, 2008, the Company issued 10,000 common shares for gross proceeds of \$10,000 due to an exercise of warrants.

xvii. On August 22, 2008, the Company issued 30,000 common shares at a value of \$24,900 to Exploraciones Del Altiplano, S.A. de C.V. in accordance with the El Capitan option agreement (See Note 6(e) iii).

(c) Share Purchase and Agents Warrants:

| | Number of Warrants | Weighted Average Exercise Price |
|--|-------------------------------|--|
| Outstanding warrants, September 30, 2006 | - | - |
| Issued | 3,016,382 | \$0.91 |
| Exercised | (450) | \$0.50 |
| Outstanding warrants, September 30, 2007 | 3,015,932 | \$0.91 |
| Issued | 2,918,500 | \$1.30 |
| Exercised | (211,826) | \$0.44 |
| Outstanding warrants, September 30, 2008 | 5,722,606 | \$1.13 |

As at September 30, 2008 the following share purchase warrants were outstanding and exercisable:

| Expiry Date | Exercise Price | Number of Warrants | Weighted Average Remaining Life in Years |
|--|---------------------------|-------------------------------|---|
| 06/15/2009 | \$1.00 | 46,946 | 0.96 |
| 08/22/2009 | \$1.00 | 2,452,191 | 1.14 |
| 08/22/2009 | \$0.50 | 304,969 | 1.14 |
| 02/14/2010 | \$1.30 | 2,800,000 | 1.63 |
| 02/14/2010 | \$1.30 | 118,500 | 1.63 |
| Weighted Average Exercise Price | \$1.13 | 5,722,606 | 1.39 |

The fair value of the warrants, issued as part of the units in the August 22, 2007 IPO, was estimated using the Black-Scholes Pricing Model with the following assumptions:

| | |
|---------------------------------|---------|
| Estimated risk-free rate | 4.23% |
| Expected volatility | 78.20% |
| Estimated annual dividend yield | 0.0% |
| Expected life of warrants | 2 years |

RIVERSIDE RESOURCES INC.

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Notes to the Consolidated Financial Statements

For the year ended September 30, 2008

7. Share Capital: (continued)

(d) Stock Options

The Company has established a stock option plan (the "Plan") for directors, employees, and consultants of the Company. From time to time, shares may be reserved by the Board, in its discretion, for options under the Plan, provided that at the time of the grant, the total number of shares so reserved for issuance by the Board shall not exceed the greater of 10% of the issued and outstanding listed shares (on a non-diluted basis) as at the date of grant.

The associated stock-based compensation expense for the options granted during the period was calculated based on the following weighted average assumptions:

| | 2008 | 2007 |
|---------------------------------|------------|------------|
| Estimated risk-free rate | 3.15 % | 4.30 % |
| Expected volatility | 83.00 % | 96.49 % |
| Estimated annual dividend yield | 0.00 % | 0.00 % |
| Expected life of options | 4.21 years | 5.00 years |

The stock options granted on August 22, 2007 had no vesting period. All options issued after August 22, 2007 are subject to vesting terms. Options issued to directors vest in the amount of 33% every six months from the date of grant; and options issued to officers and/or consultants vest between 12 and 24 months depending on date of grant and nature of service. The stock based compensation for options not fully vested have been recorded on a straight line basis over the vesting term.

| | Number of Options | Weighted Average Exercise Price |
|---|----------------------|------------------------------------|
| Outstanding options, September 30, 2006 | - | - |
| Granted | 615,000 | \$0.50 |
| Outstanding options, September 30, 2007 | 615,000 | \$0.50 |
| Granted | 812,500 | \$0.93 |
| Cancelled | (35,000) | \$0.50 |
| Exercised | (155,000) | \$0.50 |
| Outstanding options, September 30, 2008 | 1,237,500 | \$0.78 |

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For the year ended September 30, 2008

7. Share Capital: (continued)

(d) Stock Options (continued)

On September 30, 2008, the following options were outstanding:

| Expiry Date | Weighted Average Exercise Price | Number of Granted Options | Weighted Average Remaining Life in Years | Number of Exercisable Options |
|--------------------|--|----------------------------------|---|--------------------------------------|
| 08/22/2012 | \$0.50 | 425,000 | 3.89 | 425,000 |
| 10/01/2012 | \$0.80 | 50,000 | 4.00 | 16,668 |
| 12/10/2012 | \$0.80 | 20,000 | 4.19 | 15,000 |
| 01/08/2013 | \$0.90 | 30,000 | 4.27 | 22,500 |
| 02/01/2010 | \$0.95 | 50,000 | 1.34 | 37,500 |
| 02/01/2010 | \$0.95 | 25,000 | 1.34 | 18,750 |
| 02/01/2010 | \$0.95 | 25,000 | 1.34 | 18,750 |
| 02/22/2013 | \$1.05 | 30,000 | 4.40 | 15,000 |
| 08/05/2013 | \$0.94 | 582,500 | 4.85 | - |
| | \$0.78 | 1,237,500 | 4.21 | 569,168 |

(e) Escrow shares:

As of September 30, 2008, the Company has 2,600,400 common shares held in escrow with the Company's escrow agent. The escrow agreement provides for the original 4,334,000 common shares held in escrow and will be released as follows: 10% on the date the Company's securities are listed on the TSX Venture Exchange and 15% every six months thereafter.

8. Income taxes:

A reconciliation of income taxes at statutory rates is as follows:

| | 2008 | 2007 |
|--|----------------|----------------|
| Loss for the year | \$ (1,047,479) | \$ (1,167,382) |
| Expected tax recovery | \$ (334,198) | \$ (398,311) |
| Items non-deductible (deductible) for tax purposes | (232,222) | 104,711 |
| Differences in foreign tax rates | 5,717 | - |
| Unrecognized benefits of non-capital losses | 560,703 | 293,600 |
| Total income taxes | \$ - | \$ - |

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Notes to the Consolidated Financial Statements

For the year ended September 30, 2008

8. Income taxes: (continued)

The significant components of the Company's future income tax assets and liabilities are as follows:

| | 2008 | 2007 |
|---|------------------|------------------|
| Future tax assets (liabilities) | | |
| Equipment | \$ 7,791 | \$ - |
| Resource deductions | (212,051) | (6,824) |
| Share issuance costs | 64,849 | 111,510 |
| Marketable securities | 2,340 | - |
| Non-capital loss carry forwards (Canada and Mexico) | <u>722,236</u> | <u>293,600</u> |
| | 585,165 | 398,286 |
| Valuation allowance | <u>(585,165)</u> | <u>(398,286)</u> |
| Net future tax assets | \$ - | \$ - |

The Company has available for deduction against future taxable income, non-capital losses in Canada of approximately \$1,600,000 and in Mexico of approximately \$1,088,000. Unless utilized, these losses will expire through 2028 and 2018, respectively. In addition, the Company has foreign and Canadian exploration and development expenditures of approximately \$837,000 available to reduce taxable income of future years. Future tax benefits, which may arise as a result of these losses and resource expenditures have not been recognized in these financial statements and have been offset by a valuation allowance.

9. Related party transactions:

During the year ended September 30, 2008, the Company was charged the following amounts by officers, directors and companies controlled by directors of the Company:

| | 2008 | 2007 |
|--|-------------------|-------------------|
| Consulting fees | \$ 167,500 | \$ 149,516 |
| Finder's fees relating to financings | - | 48,000 |
| Investor relations | 68,000 | 32,000 |
| Mineral property deferred exploration fees | 162,290 | 99,150 |
| Property investigation fees | 3,600 | 55,550 |
| Rent | 77,750 | 47,840 |
| Total | <u>\$ 479,140</u> | <u>\$ 432,056</u> |

As of September 30, 2008, \$976 of the amount advanced to officers and directors for expense advances has been included in prepaid expenses; \$5,830 of the amount advanced to a company controlled by a director for office rent has been included in prepaid expenses.

These transactions were incurred in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the parties.

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10. Segmented Information:

The Company operates in one business segment, the exploration of mining properties. The Company's mining operations 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.

The Company's capital assets are located in the following geographic locations:

| | 2008 | 2007 |
|--------|--------------|------------|
| Canada | \$ 522,626 | \$ 270,286 |
| Mexico | 898,396 | 8,945 |
| USA | 186,938 | - |
| | \$ 1,607,960 | \$ 279,231 |

11. Supplemental Disclosures with respect to Cash Flows:

| | 2008 | 2007 |
|--|------|------|
| Cash paid during the year for income taxes | \$ - | \$ - |
| Cash paid during the year for interest | \$ - | \$ - |

The significant non-cash transactions for the year ended September 30, 2008 were as follows:

- The Company recorded a write-off of mineral properties in the amount of \$29,549.
- The Company reallocated \$63,558 from contributed surplus to share capital upon the exercise of stock options and agents' warrants.
- The Company issued 100,000 common shares valued at \$93,900 in consideration for mineral property payments.
- The Company issued 118,500 common shares valued at \$106,650 as finders' fees in a private placement.
- Included in accounts payable was \$81,772 in mineral property expenditures.

The significant non-cash transactions for the year ended September 30, 2007 were as follows:

- The Company issued 100,000 common shares valued at \$20,000 in consideration for consulting services.
- The Company issued 100,000 common shares valued at \$20,000 in consideration for mineral property payments.
- The Company issued 1,000,000 common shares valued at \$47,000 for services.
- The Company issued 30,000 common shares valued at \$15,000 for finance costs.

RIVERSIDE RESOURCES INC.

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For the year ended September 30, 2008

12. 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 resource properties. 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.

13. Financial Instruments:

The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk, interest rate risk and price risk.

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company believes it has no significant credit risk.

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 September 30, 2008, the Company had a cash balance of \$174,127 (2007 - \$1,730,683) and short-term investments of \$3,767,243 (2007 - \$361,442) to settle current liabilities of \$177,885 (2007 - \$155,864).

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a) Interest rate risk

The Company has cash balances and interest-bearing investments payable. 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 September 30, 2008, the Company had investments in short-term deposit certificates of \$3,756,243.

b) Foreign currency risk

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

RIVERSIDE RESOURCES INC.

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For the year ended September 30, 2008

13. Financial Instruments: (continued)

Market risk (continued)

c) 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.

Sensitivity Analysis

The carrying amount of cash, taxes and other receivables, accounts payable and accrued liabilities, and due to related parties approximates their fair value due to their short term nature.

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 net loss for the year by approximately \$14,500.

14. Subsequent Events:

Options

On October 8, 2008, the Company granted 100,000 stock options to a consultant, exercisable at a price of \$0.37 for a period of 5 years.