

RIVERSIDE RESOURCES INC.

(Unaudited)

(An Exploration Stage Enterprise)

Consolidated Financial Statements

December 31, 2008

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RIVERSIDE RESOURCES INC.

(An Exploration Stage Enterprise)
Consolidated Balance Sheets as at
(Unaudited)

	December 31 2008	September 30 2008
Assets		
Current assets:		
Cash	\$ 51,475	\$ 174,127
Short-term investments	3,395,847	3,767,243
Taxes receivable	141,451	119,009
Other receivables	13,402	12,996
Prepaid expenses	32,795	54,445
	3,634,970	4,127,820
Equipment	13,419	13,938
Mineral Properties (Note 3)	1,791,487	1,594,022
	\$ 5,439,876	\$ 5,735,780

Liabilities and Shareholders' Equity

Current liabilities:		
Accounts payable and accrued liabilities	\$ 127,455	\$ 177,885
Shareholders' equity:		
Share capital (Note 4b)	7,428,603	7,428,603
Contributed surplus (Note 4b)	416,137	344,153
Deficit	(2,532,319)	(2,214,861)
	5,312,421	5,557,895
	\$ 5,439,876	\$ 5,735,780

Basis of Presentation (Note 1)
Commitments (Note 10)
Subsequent Events (Note 11)

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 interim consolidated financial statements.

RIVERSIDE RESOURCES INC.

(An Exploration Stage Enterprise)

Consolidated Statements of Operations and Deficit for the three months ended December 31
(Unaudited)

	2008	2007
Expenses		
Amortization	\$ 2,424	\$ 3,658
Computer expenses	168	-
Consulting fees	93,952	72,000
Dues and subscriptions	5,120	10,294
Filing fees	1,718	3,606
Foreign exchange	16,582	5,163
Insurance	6,538	7,311
Investor relations	49,801	29,677
Office expenses	7,072	5,977
Professional development	3,468	-
Professional fees	16,636	27,799
Property investigation and evaluation	6,834	15,199
Rent	18,750	16,500
Stock-based compensation	71,984	13,037
Telecommunications	6,273	6,256
Travel and entertainment	26,459	25,749
	(333,779)	(242,226)
Other income/(expense)		
Interest Income	23,321	21,552
Unrealized loss on short-term investments	(7,000)	-
	16,321	21,552
Net loss and comprehensive loss for the period	(317,458)	(220,674)
Deficit, beginning of the period	(2,214,861)	(1,167,382)
Deficit, end of the period	\$ (2,532,319)	\$ (1,388,056)
Loss per share - basic and diluted	\$ (0.02)	\$ (0.02)
Weighted average number of common shares outstanding		
- basic and diluted	17,828,500	13,201,488

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

RIVERSIDE RESOURCES INC.

(An Exploration Stage Enterprise)

Consolidated Statements of Cash Flows for the three months ended December 31

(Unaudited)

	2008	2007
OPERATING ACTIVITIES		
Loss for the period	\$ (317,458)	\$ (220,674)
Items not involving cash		
Amortization	2,424	3,658
Stock-based compensation	71,984	13,037
Unrealized loss on short-term investments	7,000	-
Change in non-cash working capital items:		
Prepaid expenses	21,650	(4,828)
Tax receivable	(22,442)	(30,410)
Other receivables	(406)	5,327
Accounts payable and accrued liabilities	(17,530)	(75,812)
	<u>(254,778)</u>	<u>(309,702)</u>
INVESTING ACTIVITIES		
Acquisition of equipment	(1,905)	(2,001)
Mineral interest acquisition and exploration	(230,365)	(299,664)
Short-term investments	364,396	274,060
	<u>132,126</u>	<u>(27,605)</u>
FINANCING ACTIVITIES		
Share capital, net of issuance costs	-	4,471
Share subscription received	-	225
	<u>-</u>	<u>4,696</u>
Decrease in cash	(122,652)	(332,611)
Cash, beginning of the period	174,127	1,730,683
Cash, end of the period	\$ 51,475	\$ 1,398,072

Supplemental Disclosures with respect to Cash Flows (Note 9)

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

RIVERSIDE RESOURCES INC.

(An Exploration Stage Enterprise)

Notes to the Consolidated Financial Statements

For the three months ended December 31, 2008

(Unaudited)

1. Basis of Presentation:

The unaudited interim financial statements of Riverside Resources Inc (“the Company”) have been prepared in accordance with Canadian generally accepted accounting principles for interim information. These interim financial statements have been prepared using the same accounting policies and methods of their application as the most recent annual financial statements of the Company. These interim financial statements do not include all disclosures normally provided in the annual financial statements and should be read in conjunction with the Company’s audited financial statements for the year ended September 30, 2008. In management’s opinion, all adjustments necessary for fair presentation have been included in these interim financial statements. Interim results are not necessarily indicative of the results expected for the fiscal year.

2. Change in Accounting Policy:

The Company adopted 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 adoption of the section did not have a significant impact on the Company’s financial position.

Future Accounting Change:

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.

RIVERSIDE RESOURCES INC.
(An Exploration Stage Enterprise)
Notes to the Consolidated Financial Statements
For the three months ended December 31, 2008
(Unaudited)

3. Mineral Properties:

For the three months ended December 31, 2008

	Scheelite Dome Canada	Chapalota Mexico	La Ventosa Mexico	Penoles (formerly El Capitan) Mexico	Cerro Azul Mexico	Libertad Mexico	Sugarloaf Peak USA	Total
Acquisition costs	\$ -	\$ -	\$ -	\$ 169	\$ -	\$ -	\$ -	\$ 169
Exploration costs:								
Assaying	-	-	-	18,231	2,943	-	-	21,174
Camp costs	-	-	-	320	134	71	-	525
Field costs	-	-	-	108	108	108	394	718
Geological consulting	-	-	-	38,962	9,116	24,017	52,800	124,895
Labour	-	-	-	752	432	-	-	1,184
Travel	38	-	-	8,727	2,500	4,438	2,039	17,742
Total current exploration costs	38	-	-	67,100	15,233	28,634	55,233	166,238
Professional fees:								
Professional consulting	1,500	2,250	2,250	6,000	-	-	4,350	16,350
Legal fees	482	4,130	4,130	-	-	-	5,966	14,708
Total current professional fees	1,982	6,380	6,380	6,000	-	-	10,316	31,058
Total costs incurred during the period	2,020	6,380	6,380	73,269	15,233	28,634	65,549	197,465
Balance, Opening	508,688	38,468	13,161	717,357	68,827	60,583	186,938	1,594,022
Balance, End of the period	\$ 510,708	\$ 44,848	\$ 19,541	\$ 790,626	\$ 84,060	\$ 89,217	\$ 252,487	\$ 1,791,487
Cumulative costs:								
Acquisition	\$ 116,367	\$ 11,657	\$ 12,119	\$ 131,508	\$ 8,198	\$ 20,606	\$ 85,178	\$ 385,633
Exploration	432,905	81,452	33,197	604,896	74,669	67,418	144,766	1,439,303
Professional	11,436	17,915	16,044	54,222	1,193	1,193	22,543	124,546
Recoveries	(50,000)	(66,176)	(41,819)	-	-	-	-	(157,995)
	\$ 510,708	\$ 44,848	\$ 19,541	\$ 790,626	\$ 84,060	\$ 89,217	\$ 252,487	\$ 1,791,487

RIVERSIDE RESOURCES INC.

(An Exploration Stage Enterprise)

Notes to the Consolidated Financial Statements

For the three months ended December 31, 2008

(Unaudited)

3. Mineral Properties: (continued)

(a) Scheelite Dome, Yukon, Canada

On January 14, 2009, subsequent to the quarter end, the Company elected to cancel the option agreement with Copper Ridge Explorations Inc. for the Scheelite Dome Project. All associated expenditures were written off subsequent to the period end.

(b) Chapalota, Sinaloa, Mexico

On September 12, 2008, the Company signed an option agreement to option the Chapalota Gold Project ("Chapalota Property") to Arcus Development Group Inc ("Arcus"). On February 11, 2009, subsequent to the quarter end, the Company and Arcus signed an amendment to the agreement. The amended terms and conditions require Arcus to complete the 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 March 12, 2010 with a minimum of \$200,000 on or before June 1, 2009;
 - Minimum of \$1,500,000 (cumulative) by the second anniversary of the effective date of the option agreement;
 - Minimum of \$2,500,000 (cumulative) by the third anniversary of the effective date of the option agreement; and
 - Minimum of \$4,000,000 (cumulative) by the fourth anniversary of the effective date of the option 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 option agreement (Paid and issued);
 - An additional \$50,000 in cash and 50,000 common shares on or before February 20, 2009 (Paid and issued);
 - An additional \$50,000 in cash and an additional 50,000 common shares by the second anniversary of the effective date of the option agreement;
 - An additional \$50,000 in cash and an additional 100,000 common shares by the third anniversary of the effective date of the option 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 option agreement.

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For the three months ended December 31, 2008

(Unaudited)

3. Mineral Properties: (continued)

(c) La Ventosa, Oaxaca, Mexico

On September 12, 2008, the Company signed an option agreement to option the Ventosa Project to Arcus. On February 11, 2009, subsequent to the quarter end, the Company and Arcus signed an amendment to the agreement. The amended terms and conditions require Arcus to complete the following:

- i. Incurring \$2,000,000 of cumulative exploration expenditures on the properties over a three-year period as follows:
 - Minimum of \$1,000,000 on or before the second anniversary of the effective date of the option agreement; and
 - Minimum of \$2,000,000 (cumulative) by the third anniversary of the effective date of the option 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 option agreement (Paid and issued);
 - An additional \$25,000 in cash and 50,000 common shares by February 20, 2009 (Paid and issued);
 - An additional \$50,000 in cash and an additional 50,000 common shares by the second anniversary of the effective date of the option 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 option agreement.

4. 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
Balance, September 30, 2008	17,828,500	\$7,428,603	\$344,153
Stock based compensation - stock options	-	-	71,984
Balance, December 31, 2008	17,828,500	\$7,428,603	\$416,137

- i. On January 30, 2009, subsequent to the quarter end, the Company issued 30,000 common shares at a value of \$10,500 to its Mexican partner in accordance with the option agreement for the Penoles property.

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4. Share Capital: (continued)

(c) Share Purchase and Agents Warrants:

	Number of Warrants	Weighted Average Exercise Price
Outstanding warrants, September 30, 2008 and December 31, 2008	5,722,606	\$1.13

As at December 31, 2008 the following share purchase warrants were outstanding and exercisable:

Expiry Date	Weighted Average Exercise Price	Number of Warrants	Weighted Average Remaining Life in Years
06/15/2009	\$1.00	46,946	0.45
08/22/2009	\$1.00	2,452,191	0.64
08/22/2009	\$0.50	304,969	0.64
02/14/2010	\$1.30	2,800,000	1.12
02/14/2010	\$1.30	118,500	1.12
	\$1.13	5,722,606	0.88

(d) Stock Options

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

Estimated risk-free rate	2.76%
Expected volatility	95.13%
Estimated annual dividend yield	0.0%
Expected life of options	3.91 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 has been recorded on a straight line basis over the vesting term.

	Number of Options	Weighted Average Exercise Price
Outstanding options, September 30, 2008	1,237,500	\$0.78
Granted	100,000	\$0.37
Outstanding options, December 31, 2008	1,337,500	\$0.75

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Notes to the Consolidated Financial Statements

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4. Share Capital: (continued)

(d) Stock Options (continued)

On December 31, 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	3.64	425,000
10/01/2012	\$0.80	50,000	3.75	33,334
12/10/2012	\$0.80	20,000	3.94	20,000
01/08/2013	\$0.90	30,000	4.02	30,000
02/01/2010	\$0.95	50,000	1.09	50,000
02/01/2010	\$0.95	25,000	1.09	25,000
02/01/2010	\$0.95	25,000	1.09	25,000
02/22/2013	\$1.05	30,000	4.14	22,500
08/05/2013	\$0.94	582,500	4.59	83,125
10/08/2013	\$0.37	100,000	4.77	-
	\$0.75	1,337,500	3.98	713,959

(e) Escrow shares:

As of December 31, 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.

5. Related party transactions:

During the three months ended December 31, the Company was charged the following amounts by officers, directors and companies controlled by directors of the Company:

	2008	2007
Consulting fees	\$ 30,000	\$ 60,000
Investor relations	6,000	12,000
Mineral property deferred exploration fees	36,600	33,300
Property investigation fees	-	3,600
Rent	18,750	16,500
Total	\$ 91,350	\$ 125,400

As of December 31, 2008, \$4,202 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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6. 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:

	As of December 31 2008	As of September 30 2008
Canada	\$ 524,127	\$ 522,626
Mexico	1,028,292	898,396
USA	252,487	186,938
	\$ 1,804,906	\$ 1,607,960

7. 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.

8. 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 December 31, 2008, the Company had a cash balance of \$51,475 and short-term investments of \$3,395,847 to settle current liabilities of \$127,455. As at September 30, 2008, the Company had a cash balance of \$174,127 and short-term investments of \$3,767,243 to settle current liabilities of \$177,885.

RIVERSIDE RESOURCES INC.

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Notes to the Consolidated Financial Statements

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8. Financial Instruments: (continued)

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 December 31, 2008, the Company had investments in short-term deposit certificates of \$3,391,847 (September 30, 2008 - \$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.

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, short-term investments, 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 period by approximately \$8,500.

9. Supplemental Disclosure with respect to Cash Flows:

The significant non-cash transaction for the three month period ended December 31, 2008 was mineral property expenditures of \$48,872 (September 30, 2008 - \$81,772) included in accounts payable.

There were no significant non-cash transactions for the three month period ended December 31, 2007.

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10. Commitments:

Kinross Exploration Alliance, Mesa Central Region, Mexico

On January 19, 2009, subsequent to the quarter end, the Company entered into a 2-year Precious Metals Exploration Alliance (the "Alliance") focusing on the Mesa Central Region of Mexico with Kinross Gold Corporation ("Kinross"). Under the terms of the Alliance, Kinross will invest US\$400,000 per year and the Company will invest US\$150,000 per year to fund exploration in the Mesa Central Region over the next two years.

11. Subsequent Events:

Mineral Properties

See Note 3(a), (b) and (c).

Share Issuances – Option Agreements

See Note 4(b) i.

Commitments

See Note 10.