

# RIVERSIDE RESOURCES INC.

(Unaudited)

(An Exploration Stage Enterprise)

Consolidated Financial Statements

March 31, 2009

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### **Notice of Non-review of Interim Consolidated Financial Statements**

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The attached interim consolidated financial statements for the three month period ended March 31, 2009 have not been reviewed by the Company's auditors.

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# RIVERSIDE RESOURCES INC.

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

	March 31 2009	September 30 2008
<b>Assets</b>		
Current assets:		
Cash	\$ 114,821	\$ 174,127
Short-term investments	3,057,658	3,767,243
Taxes receivable	160,911	119,009
Other receivables	16,815	12,996
Prepaid expenses	38,964	54,445
	3,389,169	4,127,820
Equipment	12,349	13,938
Mineral Properties (Note 4)	1,401,526	1,594,022
	\$ 4,803,044	\$ 5,735,780

## Liabilities and Shareholders' Equity

Current liabilities:		
Accounts payable and accrued liabilities	\$ 209,823	\$ 177,885
Shareholders' equity:		
Share capital (Note 5b)	7,437,412	7,428,603
Contributed surplus (Note 5b)	479,180	344,153
Deficit	(3,323,371)	(2,214,861)
	4,593,221	5,557,895
	\$ 4,803,044	\$ 5,735,780

Nature of Operations (Note 1)  
Basis of Presentation (Note 2)  
Commitment (Note 11)  
Subsequent Event (Note 12)

### 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 Periods Ended  
(Unaudited)

	3 Months Ended March 31 2009	3 Months Ended March 31 2008	6 Months Ended March 31 2009	6 Months Ended March 31 2008
<b>Expenses</b>				
Amortization	\$ 2,589	\$ 3,994	\$ 5,013	\$ 7,652
Computer expenses	471	-	639	-
Consulting fees	84,073	88,670	178,025	160,670
Dues and subscriptions	2,673	4,479	7,793	14,773
Filing fees	15,526	14,054	17,244	17,660
Foreign exchange	4,261	274	20,843	5,437
Insurance	6,538	7,311	13,076	14,622
Investor relations	30,468	68,507	80,269	98,184
Office expenses	3,625	7,652	10,697	13,629
Professional development	1,901	3,532	5,369	3,532
Professional fees	24,408	42,260	41,044	70,059
Property investigation and evaluation	20,949	10,388	27,783	25,587
Rent	18,750	22,500	37,500	39,000
Stock-based compensation	63,043	48,842	135,027	61,879
Telecommunications	5,888	6,303	12,161	12,559
Travel and entertainment	25,602	26,821	52,061	52,570
	(310,765)	(355,587)	(644,544)	(597,813)
<b>Other income/(expense)</b>				
Interest Income	17,859	20,050	41,180	41,602
Property Income	11,312	-	11,312	-
Unrealized gain/(loss) on short-term investments	1,250	-	(5,750)	-
Write-down of mineral properties	(510,708)	-	(510,708)	-
	(480,287)	20,050	(463,966)	41,602
<b>Net loss and comprehensive loss for the period</b>	(791,052)	(335,537)	(1,108,510)	(556,211)
<b>Deficit, beginning of the period</b>	(2,532,319)	(1,388,056)	(2,214,861)	(1,167,382)
<b>Deficit, end of the period</b>	\$ (3,323,371)	\$ (1,723,593)	\$ (3,323,371)	\$ (1,723,593)
<b>Loss per share - basic and diluted</b>	\$ (0.04)	\$ (0.02)	\$ (0.06)	\$ (0.04)
<b>Weighted average number of common shares outstanding</b>				
- basic and diluted	17,848,500	14,757,097	17,838,390	13,979,338

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 Periods Ended  
(Unaudited)

	3 Months Ended March 31 2009	3 Months Ended March 31 2008	6 Months Ended March 31 2009	6 Months Ended March 31 2008
<b>OPERATING ACTIVITIES</b>				
Loss for the period	\$ (791,052)	\$ (335,537)	\$(1,108,510)	\$ (556,211)
Items not involving cash				
Amortization	2,589	3,994	5,013	7,652
Stock-based compensation	63,043	48,842	135,027	61,879
Unrealized (gain)/loss on short-term investments	(1,250)	-	5,750	-
Write-down of mineral properties	510,708	-	510,708	-
Change in non-cash working capital items:				
Prepaid expenses	(6,169)	38,318	15,481	33,490
Tax receivable	(19,460)	(34,334)	(41,902)	(64,744)
Other receivables	(3,413)	(32)	(3,819)	5,295
Accounts payable and accrued liabilities	113,553	72,002	96,023	(3,810)
	(131,451)	(206,747)	(386,229)	(516,449)
<b>INVESTING ACTIVITIES</b>				
Acquisition of equipment	(1,519)	(2,510)	(3,424)	(4,511)
Mineral interest acquisition and exploration	(134,682)	(195,879)	(365,047)	(495,543)
Short-term investments	332,689	(2,208,485)	697,085	(1,934,425)
	196,488	(2,406,874)	328,614	(2,434,479)
<b>FINANCING ACTIVITIES</b>				
Share capital, net of issuance costs	(1,691)	2,517,300	(1,691)	2,521,771
Share subscription received	-	-	-	225
	(1,691)	2,517,300	(1,691)	2,521,996
Decrease in cash	63,346	(96,321)	(59,306)	(428,932)
Cash, beginning of the period	51,475	1,398,072	174,127	1,730,683
Cash, end of the period	\$ 114,821	\$ 1,301,751	\$ 114,821	\$ 1,301,751

Supplemental Disclosures with respect to Cash Flows (Note 10)

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 six months ended March 31, 2009

(Unaudited)

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## 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. On June 28, 2007, the Company incorporated a subsidiary, Riverside Resources Mexico, S.A., de C.V. in Mexico. On March 24, 2009, the Company incorporated a subsidiary, RRI Exploration Inc (“RRI”) in Nevada, United States.

## 2. Basis of Presentation:

The unaudited interim financial statements of 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.

## 3. 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)

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For the six months ended March 31, 2009

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### 3. Change in Accounting Policy: (continued)

#### *Business Combinations (Section 1582)*

In January 2009, the CICA issued Section 1582 "Business Combinations" to replace Section 1581. Prospective application of the standard is effective January 1, 2011, with early adoption permitted. This new standard effectively harmonizes the business combinations standard under Canadian GAAP with International Financial Reporting Standards. The new standard revises guidance on the determination of the carrying amount of the assets acquired and liabilities assumed, goodwill and accounting for non-controlling interests at the time of a business combination. The Company does not expect the adoption of this section to have a significant effect on its financial statements.

#### *Consolidated Financial Statements (Section 1601) and Non-Controlling Interests (Section 1602)*

The CICA concurrently issued Section 1601 "Consolidated Financial Statements" and Section 1602 "Non-Controlling Interests" which replace Section 1600 "Consolidated Financial Statements." Section 1601 provides revised guidance on the preparation of consolidated financial statements and Section 1602 addresses accounting for non-controlling interests in consolidated financial statements subsequent to a business combination. These standards are effective January 1, 2011, unless they are early adopted at the same time as Section 1582 "Business Combinations." The Company does not expect the adoption of this section to have a significant effect on its financial statements.

#### *Credit Risk and the Fair Value of Financial Assets and Liabilities (EIC-173)*

In January 2009, the Emerging Issues Committee ("EIC") issued EIC -173 "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities." This abstract requires companies to take counterparty credit risk into account when measuring the fair value of financial assets and liabilities, including derivatives. The Company does not expect that the adoption of this standard will have a material impact on its financial statements.

#### *Mining Exploration Costs (EIC-174)*

On March 27, 2009, the CICA approved EIC-174 "Mining Exploration Costs." This guidance clarified that an entity that has initially capitalized exploration costs has an obligation in the current and subsequent accounting periods to test such costs for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

This standard will be effective for the Company beginning April 1, 2009. The Company does not expect that the adoption of this standard will have a material impact on its financial statements.

**RIVERSIDE RESOURCES INC.**  
(An Exploration Stage Enterprise)  
Notes to the Consolidated Financial Statements  
For the six months ended March 31, 2009  
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**4. Mineral Properties:**

For the six months ended March 31, 2009

	Scheelite Dome Canada	Chapalota Mexico	La Ventosa Mexico	Penoles (formerly El Capitan) Mexico	Cerro Azul Mexico	Libertad Mexico	Sugarloaf Peak USA	Total
Acquisition costs	\$ -	\$ 3,553	\$ 4,418	\$ 27,181	\$ 7,367	\$ 5,422	\$ 6,491	\$ 54,432
Exploration costs:								
Assaying	-	-	-	27,255	2,943	-	1,533	31,731
Camp costs	-	-	-	519	134	71	-	724
Field costs	-	-	-	123	212	108	1,436	1,879
Geological consulting	-	-	-	65,869	20,347	33,833	85,367	205,416
Labour	-	-	-	1,064	432	-	-	1,496
Travel	38	-	-	17,411	3,578	9,094	9,921	40,042
Total current exploration costs	38	-	-	112,241	27,646	43,106	98,257	281,288
Professional fees:								
Professional consulting	1,500	5,250	4,250	9,500	-	-	10,850	31,350
Legal fees	482	4,130	5,354	1,440	-	1,224	7,247	19,877
Others	-	-	-	9,119	-	-	730	9,849
Total current professional fees	1,982	9,380	9,604	20,059	-	1,224	18,827	61,076
Total costs incurred during the period	2,020	12,933	14,022	159,481	35,013	49,752	123,575	396,796
Balance, Opening	508,688	38,468	13,161	717,357	68,827	60,583	186,938	1,594,022
Property written off	(510,708)	-	-	-	-	-	-	(510,708)
Recoveries	-	(51,401)	(27,183)	-	-	-	-	(78,584)
Balance, End of the period	\$ -	\$ -	\$ -	\$ 876,838	\$ 103,840	\$ 110,335	\$ 310,513	\$ 1,401,526
Cumulative costs:								
Acquisition	\$ 116,367	\$ 15,210	\$ 16,537	\$ 158,520	\$ 15,565	\$ 26,028	\$ 91,669	\$ 439,896
Exploration	432,905	81,452	33,197	650,037	87,082	81,890	187,790	1,554,553
Professional	11,436	20,915	19,268	68,281	1,193	2,417	31,054	154,564
Write-off	(510,708)	-	-	-	-	-	-	(510,708)
Recoveries	(50,000)	(117,577)	(69,002)	-	-	-	-	(236,579)
	\$ -	\$ -	\$ -	\$ 876,838	\$ 103,840	\$ 110,335	\$ 310,513	\$ 1,401,526

# RIVERSIDE RESOURCES INC.

(An Exploration Stage Enterprise)

Notes to the Consolidated Financial Statements

For the six months ended March 31, 2009

(Unaudited)

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## 4. Mineral Properties: (continued)

### (a) Scheelite Dome, Yukon, Canada

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

### (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, 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.

**RIVERSIDE RESOURCES INC.**  
(An Exploration Stage Enterprise)  
Notes to the Consolidated Financial Statements  
For the six months ended March 31, 2009  
(Unaudited)

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**4. 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, 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.

(d) Penoles, Durango, Mexico (Formerly El Capitan)

On January 31, 2008, the Company optioned the Penoles property. On October 13, 2008, the Company and its Mexican partner signed an amendment to the agreement. The amended terms and conditions require the Company to complete the following:

- i. Payment of US\$25,000 and issuance of 20,000 shares upon acceptance 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 \$650,000 by the second anniversary of the effective date of the option agreement;
  - Minimum of \$1,050,000 (cumulative) by the third anniversary of the effective date of the option agreement; and
  - Minimum of \$1,650,000 (cumulative) by the fourth anniversary of the effective date of the option agreement.

# RIVERSIDE RESOURCES INC.

(An Exploration Stage Enterprise)

Notes to the Consolidated Financial Statements

For the six months ended March 31, 2009

(Unaudited)

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## 4. Mineral Properties: (continued)

(d) Penoles, Durango, Mexico (Formerly El Capitan) (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 (Paid and issued);
  - 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.

## 5. 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	-	-	135,027
Shares issued for mineral properties	30,000	10,500	-
Share issuance costs	-	(1,691)	-
Balance, March 31, 2009	17,858,500	7,437,412	479,180

# RIVERSIDE RESOURCES INC.

(An Exploration Stage Enterprise)

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For the six months ended March 31, 2009

(Unaudited)

## 5. Share Capital: (continued)

### (b) Issued and outstanding

- i. On January 30, 2009, 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 (Note 4(d) (iii)).
- ii. On April 23, 2009, subsequent to the quarter end, the Company completed a non-brokered private placement consisting of 3,771,500 units at a price of \$0.40 per unit for gross proceeds of \$1,508,600. As part of the financing the Company incurred cash costs of \$20,880 and issued 175,080 additional units as finder's fees. Each unit consisted of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one common share for a period of two years from the closing date, exercisable at a price of \$0.65 in the first year and \$0.85 thereafter.

### (c) Share Purchase and Agents Warrants:

	<b>Number of Warrants</b>	<b>Weighted Average Exercise Price</b>
Outstanding warrants, September 30, 2008 and March 31, 2009	5,722,606	\$1.13

As at March 31, 2009 the following share purchase warrants were outstanding and exercisable:

<b>Expiry Date</b>	<b>Weighted Average Exercise Price</b>	<b>Number of Warrants</b>	<b>Weighted Average Remaining Life in Years</b>
06/15/2009	\$1.00	46,946	0.21
08/22/2009	\$1.00	2,452,191	0.39
08/22/2009	\$0.50	304,969	0.39
02/14/2010	\$1.30	2,800,000	0.88
02/14/2010	\$1.30	118,500	0.88
	\$1.13	5,722,606	0.64

### (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:

	2009	2008
Estimated risk-free rate	2.83 %	3.66 %
Expected volatility	92.27 %	85.48 %
Estimated annual dividend yield	0.00 %	0.00 %
Expected life of options	4.61 years	4.18 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.

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## 5. Share Capital: (continued)

### (d) Stock Options (continued)

	Number of Options	Weighted Average Exercise Price
Outstanding options, September 30, 2008	1,237,500	\$0.78
Granted	100,000	\$0.37
Outstanding options, March 31, 2009	1,337,500	\$0.75

On March 31, 2009, 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	3.39	425,000
10/01/2012	\$0.80	50,000	3.50	33,334
12/10/2012	\$0.80	20,000	3.69	20,000
01/08/2013	\$0.90	30,000	3.77	30,000
02/01/2010	\$0.95	50,000	0.84	50,000
02/01/2010	\$0.95	25,000	0.84	25,000
02/01/2010	\$0.95	25,000	0.84	25,000
02/22/2013	\$1.05	30,000	3.90	30,000
08/05/2013	\$0.94	582,500	4.35	249,584
10/08/2013	\$0.37	100,000	4.52	-
	\$0.75	1,337,500	3.73	887,918

### (e) Escrow shares:

As of March 31, 2009, the Company has 1,950,300 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.

## 6. Related party transactions:

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

	2009	2008
Consulting fees	\$ 60,000	\$ 105,000
Investor relations	12,000	32,000
Mineral property deferred exploration fees	70,950	91,090
Property investigation fees	6,300	3,600
Rent	37,500	39,000
Total	\$ 186,750	\$ 270,690

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## 6. Related party transactions: (continued)

As of March 31, 2009, \$5,830 of the amount advanced to a company controlled by a director for office rent has been included in prepaid expenses.

The transaction was incurred in the normal course of operations and was measured at the exchange amount, which is the amount of consideration established and agreed to by the parties.

## 7. 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 March 31 2009	As of September 30 2008
Canada	\$ 12,349	\$ 522,626
Mexico	1,091,013	898,396
USA	310,513	186,938
	\$ 1,413,875	\$ 1,607,960

## 8. 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.

## 9. 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.

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## 9. Financial Instruments: (continued)

### *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 March 31, 2009, the Company had a cash balance of \$114,673 and guaranteed investment certificates included in short-term investments of \$3,045,658 to settle current liabilities of \$209,823. As at September 30, 2008, the Company had a cash balance of \$174,127 and short-term investments of \$3,756,243 to settle current liabilities of \$177,885.

### *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 March 31, 2009, the Company had investments in short-term deposit certificates of \$3,045,658 (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, and accounts payable and accrued liabilities 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 \$15,000.

## RIVERSIDE RESOURCES INC.

(An Exploration Stage Enterprise)

Notes to the Consolidated Financial Statements

For the six months ended March 31, 2009

(Unaudited)

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### 10. Supplemental Disclosure with respect to Cash Flows:

The significant non-cash transactions for the six month period ended March 31, 2009 were as follows:

- a) The Company recorded a write-off of mineral properties in the amount of \$510,708.
- b) The Company issued 30,000 common shares valued at \$10,500 in consideration for mineral property payments.
- c) The Company received 100,000 Arcus shares valued at \$6,750 as mineral property recoveries.
- d) Included in accounts payable was \$17,687 in mineral property expenditures.

There were no significant non-cash transactions for the six month period ended March 31, 2008.

### 11. Commitment:

#### Kinross Exploration Alliance, Mesa Central Region, Mexico

On January 19, 2009, 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.

### 12. Subsequent Event:

#### Share Issuances – Private Placement

See Note 5(b) ii.