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Riverstone Resources (RVS-V)

Updated Review (Initial Review May 2008 at $0.40)

A combination of the Credit Crunch, a recalcitrant farm-in partner at Ligidi, and some start up issues by others in-country has been tough on Riverstone since our mid 2008 Review of the company. RVS has none the less soldiered on with its main Karma project and established a +1 million oz gold resource there, though at the expense of more dilution than we had hoped for. Problems at some earlier developments in Burkina Faso have been resolved and several new, and larger, developments appear to be moving steadily to production. Into this better environment, RVS has now delivered a strong new target at Karma.

Thought still early in its assessment, the new Nami target at Karma would be of interest as a stand alone zone. Given it will be accretive to the existing resource base and targets at Karma, it has the potential to be a serious game changer for the company. Even after the strong price run up in January we consider Riverstone valued fairly to its underlying assets base. With funding coming in, on-going targeting results plus initial drill testing in the offing should keep RVS an active trader.

Strong speculative buy for targeting and the next drill phase at the Karma gold project.

OVERVIEW

The two elements that best define an early phase gold target are metal grade and structural detail. The initial sample set at Riverstone's new Nami target returned up to 98 g/t (+3 oz/ton) and averaged 10 g/t— in brief, *high grade*. These were from a series of artisanal workings indicating a zone centered on a broad, long breccia body— a *strong* structure. Hence the sudden uptick in interest for RVS.

This and on-going results from targeting work does not replace the "truth machine", but in this case it doesn't have to. Since any addition at Nami is accretive to the existing Karma resource, the target already adds value. That Nami is a target with a multi-million oz footprint, and in keeping with strong regional discoveries, puts RVS back on our best dressed list of gold speculations.

CORPORATE SUMMARY

Riverstone's earlier history can be found in the May 2008 *Journal.* The main event since then was, of course, the debt collapse and market mayhem that followed it. RVS was no more immune to this than other juniors.

At the time of our original review, RVS had just signed a very strong earn in agreement with Teck (TCK.B-T) on the Ligidi project that would have included funding to carry the company well into 2009. While some of that financing was completed the deal was side tracked thanks to problems with the Burkinabe vendor of the project. This led to the bank account draining faster than hoped.

Riverstone faced the same conundrum as many companies in 2009; raise money at low prices or hope the tide would lift all boats. RVS was able to generate some positive news with a resource estimate which allowed the company to finance last summer, at 15 cents.

A fall drill program helped generate volume but traders were not patient and there was more share turnover than price in Q4. All that changed when Riverstone announced the discovery of the Nami zone. RVS has traded over 16 million shares at an average of 40 cents in the past two weeks, or roughly 12 times the daily volumes seen in Q4 2009.

RVS announced a placement of 6 million units (1 share and 1 40-cent warrant, in which we are participating) that should close shortly. About 8 million warrants from last year's financing are well in the money. We expect most of those will be exercised which will give RVS close to $3.5 million to work with.

The placement is "non brokered" but there are several strong brokers supporting it and half a dozen houses have been accumulating in the market. The Nami discovery will be ready for drilling quickly and there should not be a long wait for results. This should keep interest up.

Results later this month from expanded sampling could have a strong impact. Given the stock is at 6 year highs, it may be possible to accumulate at lower prices before drill results are announced. That said, the new buyers in this market have deep pockets that are keeping it well bid, so we're not expecting much downward drift before results.

Briefing Book

(amounts in $CAD)

Riverstone Resources Inc.

Listed: **TSXV: RVS**
Qbb: RVREF
F : 3RV

*Share Issue: **70 MM; 94 MM F.D.**
Share Float: **60 MM**

*assumes completion of current financing

**Working Capital:
$ 2 Million, $8.7 MM Fully Diluted

**assumes completion of current 6 million unit financing, but not exercise of existing 20 cent warrants = $1,400,000 which are in the Fully Diluted total.

52 Week High-Low: $0.61– 0.14
Recent Price: $0.57

3 mo Av Daily Volume: 325,000 shs.
15 day Av Daily Volume: 1.3 MM

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Website:
http://www.riverstoneresources.com

MANAGEMENT

Riverstone's board is composed of highly experienced geologists and mining engineers who will be familiar to many. RVS is led by President and CEO **Mike McInnis**, an experienced and highly respected explorer and mining executive. We have known Mike for over 10 years and know him to be talented and very experienced in West Africa. **Jim Robertson,** who is one of the more active directors is another highly experienced mining executive that HRA readers may remember from Primary Metals.

They are joined on the board by **Alvin Jackson**, who is chair and CEO of Red Dragon Resources but, again, would be known to HRA readers as the longtime President and CEO of Eurozinc before it was taken over by Lundin Mining. **Rick Bailes,** past President of Canadian Gold Hunter, has worked with McInnis on many occasions and the two sit on many of the same boards. **Greg Isenor,** another geologist, was President of Jilbey Gold which identified the Bissa deposit in Burkina Faso.

The board is rounded out by **Ron Cooper**, a highly effective finance professional who handles investor relations and communications.

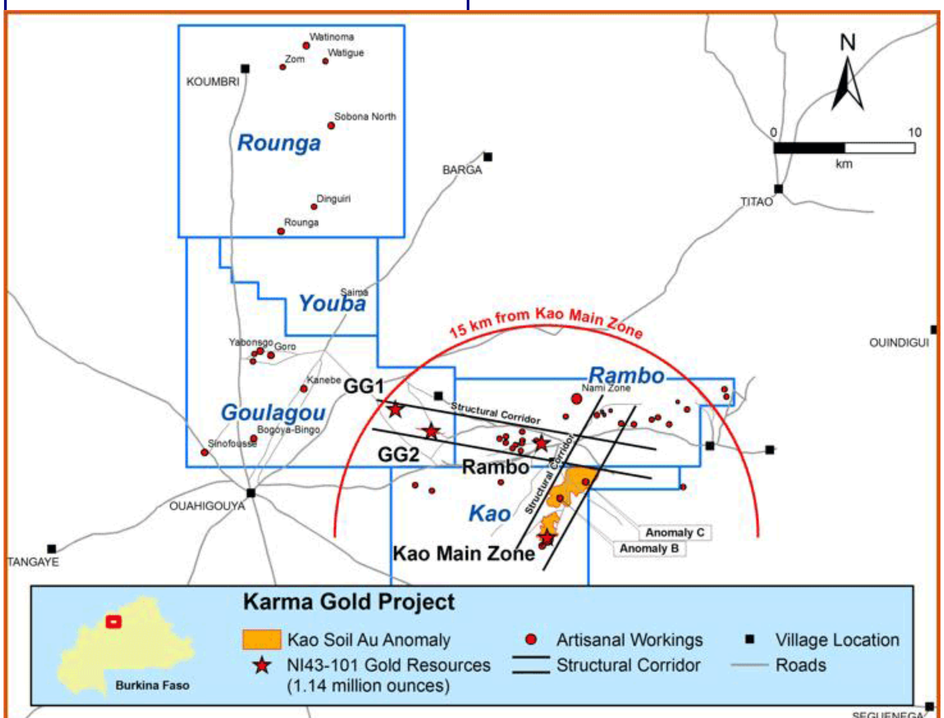
Paul Anderson, Riverstone's VP Exploration is a key member of the team, with over 20 years experience which includes work on several projects in West Africa that went on to become mines.

PROJECT SUMMARY

Regional Potential

Burkina Faso is literally in the centre of West Africa's growing gold output of the past decade. Despite success developing mines there, several investments have been side tracked by dilution or start-up issues. However, the recent market success of SEMAFO (SMF-T) and the IAMGOLD (IMG-T, IAG-N) carry-on for Orezone shareholders is shining a better light on Burkina Faso. We think that can illuminate RVS.

The country contains the same host rocks from which large mines in Ghana and other neighbors have developed a modern gold sector. Once the IMG Essakane operation is in full swing and Avocet Mining's (AVM-L.AIM) Inata development is done, Burkina Faso will have grown from artisanal output four years ago to 750,000 oz per annum. This is a serious addition to a US$8 billion GDP, and would about equal the country's total 2009 exports.

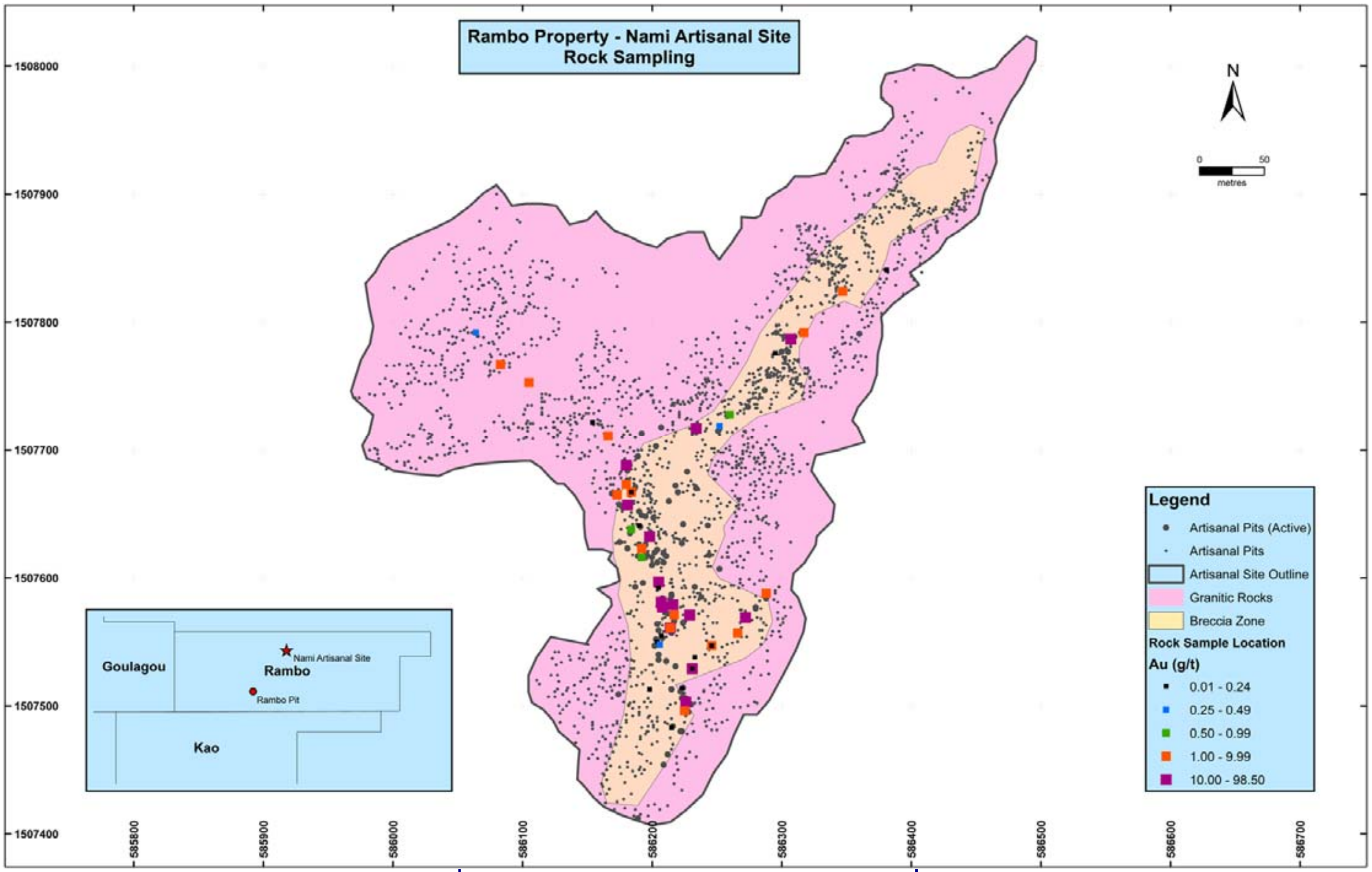


Geology and economics both favour a focus on the gold sector by Burkina Faso's government. That's why frustration over difficulties RVS has had with one farm-in partner have been overridden by upside potential in a jurisdiction with a good history for the sector. We hope the Ligidi issue will soon be resolved, but it's a strong new target at the main Karma project that has the market, and us, excited.

Karma

This project is in north central Burkina Faso, and north of Cluff Mining Plc's (CLF-L; CFG-T) Kalsaka gold mine. It consists of the Rambo and Kao concessions that have been acquired directly by RVS, and the Goulagou and Rounga concessions being acquired from Golden Star Resources' (GSC-T; GSS-Amex) for which a balloon payment of US$18.6 million, cash or shares, is due by December 2011. The GSC farm-in is for an existing resource, but recent focus and resource expansion has been at Kao.

The new Nami target is within the Rambo concession



which also contains a small high grade resource that will likely see some further testing near term. There has been focus on oxide material that makes up half of the Goulagou resource and most of the resource addition from Kao. Depending on just what comes from it the Nami target could shift that. The 15 km circle in the sketch above is a conceptual draw to a central plant site; the Nami target is the large red dot in the north central part of the Rambo block, and well within the conceptual range.

The current resource estimate totals 1.14 million gold oz, of which the Indicated category contain 820,500 oz @ 1.2 g/t gold and the Inferred a further 320,300 oz @ 0.83 g/t gold.

Of this, 390,500 Indicated oz @ 1.83 g/t plus 48,600 Inferred oz @ 1.10 g/t is contained by the GG2 deposit within the Goulagou block. The GG1 deposit, also in this block, contains a further 140,400 Inferred oz @ 0.63 g/t gold. The farm-in from Golden Star therefore represents about half of the current resource total at 580,000 oz.

All of the estimates were made using a 0.3 g/t cut-off for oxidized rock and a 0.5 g/t cut-off for fresh (non oxidized) rock. Estimates at this point are not with regard to how the material could be processed per se, since that is still a work in progress. However, using the higher cut off grade for the fresh rock recognizes there would be a higher per oz cost for this material. Whether that would be conventional processing with a higher per tonne cost, or a lower gold recovery than would be expected for the oxide material in a heap leach operation, if either, is a future event.

What can be said at this point is the material in the GG2 deposit represents a solid base for either type of operation, which is why RVS arranged to buy it ahead of further testing on its own ground.

The Kao deposit contains

430,000 oz @ 0.93 g/t gold Indicated, plus 76,400 oz @ 0.63 g/t Inferred, at this point. This deposit is a broad gently dipping sheet, and most of it is oxidized since testing to depth was forgone at this grade average. The resource is at the southern end of a 6 km long soil anomaly between it and the Rambo deposit. Recent work has been broadly testing this anomaly to locate additional resources.

The small Rambo resource containing 56,900 oz @ 7.01 g/t gold Inferred, is a vein like deposit that takes on greater significance given the new Nami target grades. Generally speaking, the higher grade a deposit the more likely it is that a conventional treatment would be used to mine it. More testing at Rambo near term therefore seems likely.

A full size version of the Nami sketch on the previous page can be found on the RVS website. The pertinent detail is that grid points marked around the border are 100 metres apart and that the salmon colored trend is breccia at the core of the pink stockwork zone. That is a large breccia zone, and indicates the hydrothermal fluids that created this feature, and carried the gold to it, must have been intense.

The black dots are artisanal workings, the material from which defines the zones. The larger sized black dots indicate shafts that were active when the workings were mapped in December. The colored squares are sample results, with the purple ones being 10-98 g/t and the orange ones 1-10 g/t gold. The work being done now will fill in the picture of how the gold grade is distributed, to finalize to drilling plans. At this point the pattern suggests to us that Nami could be at the intersection of two structures, a setting that is typical of stronger deposits and usually a focus of early exploration efforts for many deposit types. Regardless, a 600 metre long breccia body that is 20-100 metres across is a strong target.

The sampling has, where possible, been done across a lower wall or the floor of the artisanal shafts. That means each sample only represents a few meters of the zone's thickness at any given point. It however also means that the zone has been tested to depths of up to 60 metres, which confirms the local miners are working the primary deposit and not surface accretions of gold as is sometimes the case in this environment. So while there is not yet a proper gauge of gold grade over the breadth of the system, its minimum depth potential is known.

The numerous +14 g/t gold results also means that potential for a series of strong underground minable zones has been put on the table. Further targeting results will hopefully give some greater sense of specific potential, but drilling will be needed to confirm it. For now, suffice it say Nami is a multi million oz target with strong grade component, and is accretive to the project's existing resource.

Other Projects

The company has focused on picking up ground in Burkina Faso, and now has a total of six projects in different parts of the country. Though mine development has been focused in the northwest of the country, it has included a number different of mineralized trends and most of the country contains prospective host rock.

Without question the Karma project will be making the Riverstone market for the next while. However, the country is active enough that the other holdings could take on more prominence just due to third party success. The **Yaramoko** project is due south of SEMAFO's Mana mine development, and returned separate intersections of 6 metres of 11.9 g/t and of 2 metres of 14.8 g/t gold in a preliminary drill program. That program tested part of an 8 km long trend. The **Bissa East** and **Bissa West** projects cover portions of the trend hosting High River Gold's Bissa Hill Mine.

The **Soina** project in the southeastern part of the country is in an area that has seen less activity, but is across the border from several deposits in Niger. A 2 km long trend has been established here.

The one project that could still excite interest is the **Ligidi** where a 13 km long corridor of anomalous gold has been identified, which includes a km long section were surface sampling averaged 2.33 g/t gold. The dispute with the vendor seems to have in part been based on a misunderstanding of what was a quite rich deal from Teck to fund exploration of the ground. Efforts continue to finalize transfer of the ground, but that won't matter till the fat lady sings. At this point even Ligidi could take a backseat to the Nami target for the next while. It would still be a strong plan B to have in place, and RVS should now be better positioned to deal with it.

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Day one of the week long conferencing in Vancouver, the Sunday session of the Cambridge House Resource Investment Conference, was extremely busy. It is obvious that interest in the sector has recovered as quickly as metal prices, and we expect that to show up in the market.

Riverstone Resources (RVS-V; *up $0.025 on 342K at $0.245*) was halted this morning ahead of an announcement that the company has returned high-grade gold results at the new artisanal workings area of its Karma gold project in Burkina Faso. Preliminary sampling at what is being dubbed the Nami site consisted of 51 samples along 600 metres of the 800 metre trend, with samples having been taken at depths up to 60 metres in shafts that have been dug by local miners. Some 14 of the 51 samples returned greater than 10 g/t gold, and many of these were over 20 g/t with the **highest results being 98.5 g/t (+3 oz/ton) and 78.2 g/t gold.** The samples are within a 150-350 metre wide stockwork system (mass of narrow veins) that is centered on a breccia zone, which is fragmented rock that had more space to be filled by the gold bearing fluids and that typically contains higher grades. The breccia is up to 100 metres across and appears to average about 50 metres along the 600 metre sampled trend, which a large area for this type of material, and the halo of stockwork does contain a number of +1 g/t results. This combination indicates a fairly robust system. The zone cuts intrusive rock about 4 km north of the company's Rambo zone that is also a higher grade area. The numerous samples taken at depth in the artisanal shafts confirms this is a primary zone rather than an area of surface accretion, and the number of high grade samples show it has the potential to make a big difference to the project.

Though recent drilling results have indicated both an expansion and areas of higher gold grades within the bulk tonnage resource area, the project has needed a return to high grade testing to wake up the market to its potential. The Nami zone provides that. Drill testing is needed to properly assess the new zone, but its extent and the core of high grade material indicate it is an important addition to the system. The extent of the high grade results and the thickness of the breccia indicate Nami will add to the higher grade material established in the Rambo zone and will therefore be accretive to the established 1 million oz resource base, and the zone has potential to quickly add oz. With the trace of the new zone already established by the artisanal workings it shouldn't take long to finish targeting and begin drill testing. Given the already established resource and with these new grades in hand we expect the market to recognize the potential before the drill results. Our outlook for RVS is strong speculative buy. http://www.riverstoneresources.com/

Regards for now – David Coffin and Eric Coffin

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