

RIVERSTONE RESOURCES INC.

FINANCIAL STATEMENTS

31 OCTOBER 2003 and 2002

STALEY, OKADA & PARTNERS

Chartered Accountants

AUDITORS' REPORT

To the Shareholders of Riverstone Resources Inc.:

We have audited the balance sheet of Riverstone Resources Inc. as at 31 October 2003 and 2002 and the statements of loss and deficit and cash flows for the years 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 audits.

We conducted our audits 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 financial statements present fairly, in all material respects, the financial position of the Company as at 31 October 2003 and 2002 and the results of its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles. As required by the Company Act of British Columbia, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

"Staley, Okada & Partners"

Surrey, B.C.
5 February 2004

STALEY, OKADA & PARTNERS
CHARTERED ACCOUNTANTS

Balance Sheet

As at 31 October

Canadian Funds

ASSETS	2003		2002	
Current				
Cash	\$	155,979	\$	5,592
GST receivable		13,351		5,034
		<u>169,330</u>		<u>10,626</u>
Resource Property Costs - Schedule (Note 4)		<u>29,790</u>		-
	\$	<u>199,120</u>	\$	<u>10,626</u>
LIABILITIES				
Current				
Accounts payable and accrued liabilities				
- trade and other	\$	68,043	\$	134,527
- related parties		2,889		33,509
		<u>70,932</u>		<u>168,036</u>
Continued Operations (Note 1)				
SHAREHOLDERS' EQUITY (DEFICIENCY)				
Share Capital (Note 6)		1,096,247		741,247
Contributed Surplus (Note 6e)		7,839		-
Deficit - Statement 2		<u>(975,898)</u>		<u>(898,657)</u>
		<u>128,188</u>		<u>(157,410)</u>
	\$	<u>199,120</u>	\$	<u>10,626</u>

ON BEHALF OF THE BOARD:

"Michael D. McInnis", Director"James Robertson", Director

Statement of Loss and Deficit

For the Years Ended 31 October

Canadian Funds

	2003	2002
Indirect and Administrative		
Administration fees	\$ 30,000	\$ 30,000
Professional	26,215	7,657
Filing fees	11,850	2,471
Consulting fees (Note 6e)	7,839	-
Transfer agent	5,680	3,490
Office and general	4,207	4,023
Shareholder information	2,988	4,668
Travel and promotion	595	2,307
Loss for the Year Before the Undernoted	89,374	54,616
Financing costs (Note 5)	-	230,002
Acquisition costs (Note 5)	-	2,000
Gain on forgiveness of debt	(12,133)	-
Loss for the Year	77,241	286,618
Deficit - Beginning of year	898,657	612,039
Deficit - End of Year	\$ 975,898	\$ 898,657
Loss per Share - Basic and Diluted	\$ 0.02	\$ 0.09
Weighted Average Number of Shares	3,986,645	3,295,001

Statement of Cash Flows

For the Years Ended 31 October

Canadian Funds

Cash Resources Provided By (Used In)	2003	2002
Operating Activities		
Loss for the period	\$ (77,241)	\$ (286,618)
Items not affecting cash		
Financing costs	-	230,002
Stock compensation	7,839	-
Gain on forgiveness of debt	(12,133)	-
Net change in non-cash working capital		
GST receivable	(8,317)	5,959
Accounts payable and accrued liabilities		
- trade	(54,351)	(1,984)
- related	(5,620)	14,955
	<u>(149,823)</u>	<u>(37,686)</u>
Investing Activities		
Resource property costs	<u>(29,790)</u>	-
Financing Activities		
Shares issued for cash	<u>330,000</u>	-
Net Increase (Decrease) in Cash		
	150,387	(37,686)
Cash position - Beginning of year	<u>5,592</u>	<u>43,278</u>
Cash Position - End of Year	\$ 155,979	\$ 5,592
Supplemental Schedule of Non-Cash Transactions		
Shares issued in settlement of accounts payable	\$ 25,000	\$ -
Special notes cancelled on assignment of promissory note	\$ -	\$ 607,500
Promissory note assigned to special note holders	\$ -	\$ (550,000)
Amounts payable to special note holders upon cancellation of special notes	\$ -	\$ (57,500)

Schedule of Resource Property Costs

Schedule

For the Years Ended 31 October

Canadian Funds

	2003	2002
Direct - Mineral		
Rambo Property, Burkina Faso, West Africa		
Geological	\$ 20,300	\$ -
Assay	154	-
Transportation	2,066	-
Camp and general	1,150	-
Report preparation	6,120	-
	<hr/>	<hr/>
Costs for the Year	29,790	-
Balance - Beginning of year	-	-
	<hr/>	<hr/>
Balance - End of Year	\$ 29,790	\$ -

- See Accompanying Notes -

Riverstone Resources Inc.

Notes to Financial Statements

31 October 2003

Canadian Funds

1. Continued Operations

These financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

Several adverse conditions cast doubt on the validity of this assumption. The company has incurred significant operating losses over the past several fiscal years, is currently unable to self-finance operations and has an accumulated deficit of \$975,000. The ability to continue as a going concern is dependent on its ability to generate profitable operations in the future and/or obtain additional financing (*Note 9*).

If the going concern assumption were not appropriate for these financial statements then adjustments would be necessary in the carrying value of assets and liabilities, the reported revenue and expenses and the balance sheet classifications used.

2. Significant Accounting Policies

a) Management's 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 disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reported periods. Actual results could differ from those estimates.

b) Loss per Share

Basic earnings per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted earnings per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings per share. The effect on loss per share of the Company's outstanding options and warrants is anti-dilutive and, therefore, the exercise of such options and warrants has not been included in the calculation of the basic and diluted loss per share amounts presented.

c) Share Capital

- i) The proceeds from the exercise of stock options, warrants and escrow shares are recorded as share capital in the amount for which the option, warrant or escrow share enabled the holder to purchase a share in the company.
- ii) Share capital issued for non-monetary consideration is recorded at an amount based on fair market value reduced by an estimate of transaction costs normally incurred when issuing shares for cash, as determined by the board of directors of the company.

Notes to Financial Statements

31 October 2003

Canadian Funds

2. Significant Accounting Policies - *Continued*

d) Stock-Based Compensation

The Company has adopted the requirements outlined in CICA Handbook Section 3870, Stock-Based Compensation and Other Stock-Based Payments, which applies to all awards granted on or after 1 November 2002. This Section establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services.

Non-employees

Section 3870 requires that all stock-based awards made to non-employees be measured and recognized using a fair value based method.

Employees

Section 3870 requires the use of a fair value based method for direct awards to employees of stock, stock appreciation rights, and awards that call for settlement in cash or other assets. Awards that the Company has the ability to settle in stock are recorded as equity, whereas awards that the Company is required to, or has a practice of, settling in cash are recorded as liabilities. The Company has elected to account for employee stock options by measuring compensation cost as the excess, if any, of the quoted market price of the Company's common shares at the date of grant over the amount an employee must pay to acquire the common shares (the "intrinsic value-based method"). The Company will disclose pro-forma income (loss) and pro-forma earnings (loss) per share using a fair value based method.

e) Mineral Interests

The Company follows the method of accounting for its mineral interests whereby all costs related to acquisition, exploration and development are capitalized by project. These costs will be amortized against revenue from future production or written off if the interest is abandoned or sold. In the event of commercial production, net costs will be charged to operations on the unit-of-production method by project based upon estimated recoverable reserves.

The amounts shown for mineral interests represent costs incurred to date, less recoveries, and do not necessarily reflect present or future values. The recoverability of amounts shown for mineral interests is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain financing to complete development of the projects, and on future profitable production or proceeds from the disposition thereof.

Notes to Financial Statements

31 October 2003

Canadian Funds

2. Significant Accounting Policies - *Continued*

e) **Mineral Interests** - *Continued*

Ownership in mineral interests involves certain inherent risks due to the difficulties of determining and obtaining clear title to the claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral interests. The Company has investigated ownership of its mineral interests and, to the best of its knowledge, ownership of its interests are in good standing.

The Company does not accrue the estimated costs of maintaining its mineral interests in good standing.

f) **Property Option Agreements**

From time to time, the Company may acquire or dispose of properties pursuant to the terms of option agreements. Due to the fact that options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as resource property costs or recoveries when the payments are made or received.

g) **Environmental Expenditures**

The operations of the Company may, in the future, be affected by changes in environmental regulations, including those for future reclamation and site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company vary greatly and are not predictable. The Company's philosophy and resultant policy is to conduct its exploration and development activities in an environmentally responsible manner. Specifically, the Company's policy is to meet or surpass the environmental requirements established to satisfy international standards and guidelines, by application of technically proven and economically feasible mitigation and reclamation procedures.

Environmental expenditures that relate to ongoing environmental and reclamation programs are charged against earnings as incurred or capitalized and amortized depending on their future economic benefits. Estimated future removal and site restoration costs, when the ultimate liability is reasonably determinable, are charged against earnings over the estimated remaining life of the operation, net of expected recoveries.

h) **Future Income Taxes**

The Company uses the asset and liability method of accounting for income taxes as prescribed by the CICA Handbook. Under the asset and liability method, the change in the net future tax asset or liability is included in income. The income tax effects of temporary differences in the time when income and expenses are recognized in accordance with Company accounting practices, and the time they are recognized for income tax purposes, are reflected as future income tax assets or liabilities. Future income tax assets and liabilities are measured using statutory rates that are expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled.

Notes to Financial Statements

31 October 2003

Canadian Funds

2. Significant Accounting Policies - Continued

i) Foreign Exchange

Transactions denominated in foreign currencies are recorded during the year at the prevailing exchange rate. Year-end monetary balances denominated in foreign currencies are translated into Canadian dollars at year-end rates. Translation gains and losses are recorded as income or expense in the current year.

3. Financial Instruments

The fair value of the Company's cash, GST receivable, and accounts payable is estimated to approximate their carrying values. It is management's opinion that the Company is not exposed to significant interest, currency, or credit risks arising from these financial instruments.

4. Mineral Properties

During the year, the Company signed an agreement, effective 28 October 2003, to acquire a 100% interest in the Rambo property located in Burkina Faso, West Africa. The property is subject to a 3% net smelter return royalty and a standard government 10% carried production interest. At its option, the Company may acquire its interest by completing cash payments and share issuances to the optionors and minimum exploration expenditures as follows:

	Cash Payment U.S. Funds	Shares	Exploration Expenditures U.S. Funds
Upon signing of the formal agreement	\$ 5,000	-	\$ -
Upon regulatory approval	35,000	50,000	-
On or before 15 December 2004	50,000	50,000	150,000
On or before 15 December 2005	50,000	50,000	150,000
On or before 15 December 2006	50,000	50,000	200,000
On or before 15 December 2007	50,000	50,000	-
	\$ 240,000	250,000	\$ 500,000

The first U.S. \$150,000 of the exploration expenditures required under the agreement is a firm commitment and the Company must incur these costs on or before 15 December 2004. The Company received regulatory approval and made the required payments and share issuances subsequent to year-end (Note 9b).

Details of cumulative expenditures to 31 October 2003 are as follows:

	Acquisition	Exploration	2003	2002
Rambo project	\$ -	\$ 29,790	\$ 29,790	\$ -

Notes to Financial Statements

31 October 2003

Canadian Funds

5. Acquisition

During the year ended 31 October 2001, the Company signed an agreement to acquire a 100% interest in a privately held Ontario corporation operating in the information technology sector. The agreement provided for a cash payment of \$550,000, in the form of a loan ("Promissory Note"), and the issuance of 6.5 million shares of the Company at a price of \$0.80 per share. The Promissory Note was funded from the proceeds of private placements, including a brokered placement, of \$607,500 in convertible Special Notes ("Special Notes").

As the acquisition did not close as contemplated, the Promissory Note was cancelled and automatically replaced by promissory notes to be issued, by the Ontario corporation, to the Special Note holders. In addition, the Special Notes were cancelled. The Company agreed to reimburse the holders of the Special Notes for a total of \$57,500, being the amount of the agent's commission on the placement of the related Special Notes and the unsecured portion of the non-brokered Special Notes. This amount was included in accounts payable at 31 October 2002.

To 31 October 2002, the Company paid a total of \$230,002 towards costs to close the financing transactions. As the acquisition did not complete, these costs were written off as financing costs in the prior year. The company also incurred costs to investigate and acquire the Ontario corporation. These acquisition costs were written off as incurred.

6. Share Capital

The authorized share capital of the company consists of 100,000,000 common shares without par value.

a) Share issuance details are as follows:

	2003		2002	
	Shares	Amount	Shares	Amount
Balance - Beginning of year	3,295,001	\$ 741,247	3,295,001	\$ 741,247
Private placement	2,000,000	200,000	-	-
Private placement	600,000	90,000	-	-
Private placement	300,000	45,000	-	-
Share issuance costs	-	(5,000)	-	-
Shares issued for debt (Note 8d)	250,000	25,000	-	-
Balance - End of year	6,445,001	\$ 1,096,247	3,295,001	\$ 741,247

b) As at 31 October 2003, there were 616,350 performance shares held in escrow, which may be released only with the consent of the governing regulatory bodies.

c) At 31 October 2003, the Company had share purchase warrants outstanding entitling the holder to purchase the following:

Shares	Exercise Price	Expiry Date
2,000,000	\$ 0.12	31 July 2005
300,000	\$ 0.15	15 August 2005
150,000	\$ 0.18	24 September 2004
<u>2,450,000</u>		

Notes to Financial Statements

31 October 2003

Canadian Funds

6. Share Capital - Continued

d) At 31 October 2003, the Company had 610,000 stock options outstanding as follows:

Grant Date	Number	Exercise Price	Expiry Date
19 August 2003	610,000	\$ 0.14	19 August 2008

As at 31 October 2003 all options had vested.

e) Stock-Based Compensation

During the period, the Company issued 610,000 stock options, which vested immediately, to its directors, officers, employees and consultants. The Company estimated the fair value of each option on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

Expected dividend yield	0.00
Expected stock price volatility	55.12%
Risk-free interest rate	3.97%
Expected life of options	5 years

Non-Employees

The Company has recognized stock compensation expense for options granted to consultants in the period as follows:

Number of Options Granted	Number of Options Vested	Weighted Average Fair Value per Option	Total Estimated Compensation
75,000	75,000	\$ 0.105	\$ 7,839

The company has recorded this compensation expense as consulting fees.

Employees

Had the Company recognized stock compensation expense for options granted to directors, officers and employees in the period, the Company's loss and loss per share amounts for the period would have been adjusted to the pro forma amounts as follows:

Number of Options Granted	Number of Options Vested	Weighted Average Fair Value per Option	Total Estimated Compensation
535,000	535,000	\$ 0.105	\$ 55,917

Loss	
As reported	\$ 77,241
Pro forma	\$ 133,158
Loss per share	
As reported	\$ 0.02
Pro forma	\$ 0.03

Notes to Financial Statements

31 October 2003

Canadian Funds

7. Income Taxes

- a) The Company has incurred losses for income tax purposes of approximately \$363,000 which may be used to reduce future taxable income. The income tax benefits, if any, of these losses have not been recorded in these financial statements and expire as follows:

Year of Expiry	Amount
2005	\$ 11,000
2006	11,000
2007	13,000
2008	94,000
2009	118,000
2010	116,000
	<hr/>
	\$ 363,000

- b) The Company has approximately \$455,000 of resource related expenditures which may be carried forward indefinitely and used to reduce prescribed taxable income in future years. The potential future tax benefits of these expenditures have not been recognized in the accounts of the Company.

8. Related Party Transactions

Related party transactions not disclosed elsewhere in these financial statements are as follows:

- a) Administration fees paid to a company controlled by a director - \$30,000 (2002 - \$30,000).
- b) Office rent paid to a company controlled by a director - \$2,400 (2002 - \$2,400).
- c) Geological consulting fees paid to a director - \$17,500 (2002 - \$NIL).
- d) Share transactions conducted with directors, officers and other related parties during the year are as follows:
- Issued 250,000 shares in settlement of accounts payable of \$25,000;
 - Issued 1,526,000 private placement shares for total cash proceeds of \$174,100;
 - Granted 535,000 stock options at an exercise price of \$0.14.
-

Riverstone Resources Inc.

Notes to Financial Statements

31 October 2003

Canadian Funds

9. Subsequent Events

Subsequent to 31 October 2003, the company:

- a) completed a private placement of 4,000,000 shares at a price of \$0.55 per share for gross proceeds of \$2,200,000. The company paid cash finders' fees of \$85,399 and issued 225,450 finder fee warrants exercisable at a price of \$0.75 for one year.
- b) obtained regulatory approval for its Rambo property acquisition (*Note 4*) upon which it paid U.S. \$40,000 and issued 50,000 shares to the optionors. In addition, the Company issued 25,000 shares as a finder's fee;
- c) granted 440,000 five-year stock options to directors, officers and consultants at an exercise price of \$1.10;
- d) transferred the listing of its shares from the NEX board to the TSX Venture board with a Tier 2 classification.

10. Segmented Information

The company currently operates in only one segment, that being the mining exploration industry. Details of the segmented operations are reflected only in the balance sheet.

	2003		
	Canada	Burkina Faso	Total
Assets	\$ 169,330	\$ 29,790	\$ 199,120

	2002		
	Canada	Burkina Faso	Total
Assets	\$ 10,626	\$ -	\$ 10,626
