

RIVERSTONE RESOURCES INC.

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INTERIM FINANCIAL STATEMENTS

31 JANUARY 2005

Unaudited

MANAGEMENT COMMENT

These interim financial statements of Riverstone Resources Inc. for the three months ended 31 January 2005 have been prepared by management and have not been subject to review by the Company's auditors.

Interim Balance Sheets

Canadian Funds
Unaudited

| ASSETS | As at 31 January 2005 | As at 31 October 2004 |
|--|--------------------------------------|--------------------------------------|
| Current | | |
| Cash and term deposits | \$ 348,385 | \$ 885,334 |
| GST receivable | 36,153 | 27,509 |
| Prepaid expenses | 36,572 | 11,993 |
| | <u>421,110</u> | <u>924,836</u> |
| Resource Property Costs – Schedule (Note 4) | 1,987,757 | 1,525,274 |
| | <u>\$ 2,408,867</u> | <u>\$ 2,450,110</u> |
| | | |
| LIABILITIES | | |
| Current | | |
| Accounts payable and accrued liabilities | | |
| - trade | \$ 310,685 | \$ 309,318 |
| - related parties | 11,503 | - |
| | <u>322,188</u> | <u>309,318</u> |
| Continued Operations (Note 1) | | |
| Commitments (Note 8) | | |
| | | |
| SHAREHOLDERS' EQUITY | | |
| Share Capital (Note 5a) | 3,319,498 | 3,291,998 |
| Contributed Surplus (Note 5b) | 479,075 | 441,521 |
| Deficit - Statement 2 | <u>(1,711,894)</u> | <u>(1,592,727)</u> |
| | <u>2,086,679</u> | <u>2,140,792</u> |
| | <u>\$ 2,408,867</u> | <u>\$ 2,450,110</u> |

ON BEHALF OF THE BOARD:

"Michael D. McInnis"

_____, Director

"James Robertson"

_____, Director

- See Accompanying Notes -

Interim Statements of Loss and Deficit

For the Three Months Ended 31 January

Canadian Funds

Unaudited

| | 2005 | | 2004 |
|--|---------------------|-----------|------------------|
| Indirect and Administrative | | | |
| Administration and management fees | \$ 31,500 | \$ | 7,500 |
| Consulting fees | 9,655 | | - |
| Foreign exchange loss (gain) | 2,227 | | (1,832) |
| General exploration | 335 | | - |
| Office and general | 2,520 | | 1,218 |
| Professional | 16,369 | | 34,109 |
| Rent and office services | 12,000 | | - |
| Shareholder information | 4,309 | | 3,851 |
| Stock-based compensation (Note 5f) | 34,308 | | 288,978 |
| Stock exchange and filing fees | 1,498 | | 14,659 |
| Transfer agent | 1,692 | | 4,162 |
| Travel and promotion | 4,500 | | - |
| | <u>120,913</u> | | <u>352,645</u> |
| Loss for the Period Before the Under-noted | | | |
| Interest income | <u>(1,746)</u> | | <u>(5,148)</u> |
| Loss for the Period | 119,167 | | 347,497 |
| Deficit - beginning of period | <u>1,592,727</u> | | <u>975,898</u> |
| Deficit - End of Period | \$ 1,711,894 | \$ | 1,323,395 |
| Loss Per Share – Basic and Diluted | \$ 0.01 | \$ | 0.04 |
| Weighted-Average Number of Shares Outstanding | 10,705,144 | | 8,216,740 |

- See Accompanying Notes -

Interim Statements of Cash Flows

For the Three Months Ended 31 January

Canadian Funds

Unaudited

| Cash Resources Provided By (Used In) | 2005 | 2004 |
|---|--------------------------|----------------------------|
| Operating Activities | | |
| Loss for the period | \$ (119,167) | \$ (347,497) |
| Item not affecting cash | | |
| Stock-based compensation | <u>34,308</u> | 288,978 |
| | (84,859) | (58,519) |
| Net change in non-cash working capital | | |
| GST receivable | (8,644) | (4,964) |
| Prepaid expenses | (24,579) | (54,603) |
| Accounts payable and accrued liabilities | | |
| - trade | 1,367 | 26,751 |
| - related | 11,503 | (214) |
| | <u>(105,212)</u> | <u>(91,549)</u> |
| Investing Activities | | |
| Resource property costs | <u>(431,737)</u> | <u>(105,126)</u> |
| Financing Activities | | |
| Shares issued for cash | <u>-</u> | <u>2,114,601</u> |
| Net Increase (Decrease) in Cash | (536,949) | 1,917,926 |
| Cash position - beginning of period | <u>885,334</u> | <u>155,979</u> |
| Cash Position - End of Period | <u>\$ 348,385</u> | <u>\$ 2,073,905</u> |

Supplemental Schedule of Non-Cash Investing and Financing Transactions

| | | |
|---|------------------|-------------------|
| Shares issued for resource property | \$ 27,500 | \$ 27,500 |
| Shares issued for finder's fee | \$ - | \$ 13,750 |
| Stock-based compensation recorded for resource properties | \$ 3,246 | \$ - |
| Stock-based compensation – contributed surplus | <u>\$ 37,554</u> | <u>\$ 288,978</u> |

Interim Schedules of Resource Property Costs

For the Three Months Ended 31 January

Canadian Funds

Unaudited

| | 2005 | 2004 |
|---|---------------------|-------------------|
| Direct – Mineral | | |
| Rambo Property, Burkina Faso, West Africa | | |
| Acquisition and option payments | \$ 89,090 | \$ 94,017 |
| Assay and geochemical | 27 | - |
| Camp and general | 25,916 | 3,580 |
| Consulting | 1,500 | - |
| Drilling | - | 19,348 |
| Geological | 23,327 | 23,685 |
| Local labour | 10,852 | - |
| Project management | 4,135 | - |
| Report preparation | 583 | 2,717 |
| Stock-based compensation (Note 5f) | 3,246 | - |
| Transportation | 852 | 3,029 |
| | <u>159,528</u> | <u>146,376</u> |
| Liquidi Malguem Property, Burkina Faso, West Africa | | |
| Acquisition and option payments | 54,116 | - |
| Assay and geochemical | 76,369 | - |
| Camp and general | 34,655 | - |
| Consulting | 4,496 | - |
| Geological | 39,040 | - |
| Local labour | 10,826 | - |
| Project management | 4,915 | - |
| Report preparation | 196 | - |
| Transportation | 2,192 | - |
| | <u>226,805</u> | <u>-</u> |
| Solna Property, Burkina Faso, West Africa | | |
| Assay and geochemical | 8,641 | - |
| Camp and general | 16,782 | - |
| Consulting | 2,436 | - |
| Geological | 22,396 | - |
| Lease, licenses and taxes | 2,414 | - |
| Local labour | 10,826 | - |
| Project management | 3,332 | - |
| Report preparation | 133 | - |
| Transportation | 912 | - |
| | <u>67,872</u> | <u>-</u> |
| Other Properties, West Africa | | |
| Camp and general | 801 | - |
| Geological | 1,925 | - |
| Lease, licenses and taxes | 5,552 | - |
| | <u>8,278</u> | <u>-</u> |
| Costs for the Period | 462,483 | 146,376 |
| Balance - beginning of period | 1,525,274 | 29,790 |
| Balance - End of Period | \$ 1,987,757 | \$ 176,166 |

- See Accompanying Notes -

Riverstone Resources Inc.

Notes to Interim Financial Statements

31 January 2005

Canadian Funds

Unaudited

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.

The Company has no source of revenue, and has significant cash requirements to meet its administrative overhead and maintain its mineral interests. 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. While the Company has been successful in the past at raising funds, there can be no assurance that it will be able to do so in the future.

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 and Basis of Presentation

These unaudited interim financial statements are prepared in accordance with generally accepted accounting principles ("GAAP") in Canada. However, they do not include all of the information and disclosures required by Canadian GAAP for annual financial statements. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these financial statements.

These interim financial statements follow the same accounting policies and methods of their application as the most recent annual financial statements and should be read in conjunction with the Company's audited financial statements including the notes thereto for the year ended 31 October 2004. All financial information presented herein is unaudited.

Certain of the comparative figures have been reclassified to conform to the current period's presentation.

3. Financial Instruments

The fair value of the Company's cash and term deposits, 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.

Notes to Interim Financial Statements

31 January 2005

Canadian Funds

Unaudited

4. Mineral Properties

a) Rambo Property, Burkina Faso, West Africa

The Company has signed an agreement 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 Company has made all cash payments and share issuances as required to 31 December 2004. In addition, the Company has satisfied all exploration expenditure requirements under the agreement. As part of the acquisition, the company issued 25,000 shares as a finder's fee.

b) Liquidi Malguem Property, Burkina Faso, West Africa

During the period, the Company signed an agreement to acquire an 80% interest in the Liquidi Malguem property located in Burkina Faso, West Africa. At its option, the Company may earn its interest by completing cash payments to the optionors and approximate minimum exploration expenditures as follows:

| | Cash Payment U.S. Funds | Exploration Expenditures U.S. Funds |
|--|-------------------------------|---|
| Upon signing of the agreement (<i>paid</i>) | \$ 45,000 | \$ - |
| On or before 31 December 2004 (<i>completed</i>) | - | 85,000 |
| On or before 1 November 2005 | 20,000 | - |
| On or before 31 December 2005 | - | 125,000 |
| On or before 1 November 2006 | 30,000 | - |
| | \$ 95,000 | \$ 210,000 |

Upon earning its interest, the Company and the optionor will form a joint venture, which will include standard dilution clauses. If either party is reduced to a 10% interest, the interest will revert to a 2% net smelter return royalty. The property is subject to a standard government 10% carried production interest.

Riverstone Resources Inc.

Notes to Interim Financial Statements

31 January 2005

Canadian Funds

Unaudited

4. Mineral Properties - continued

c) Solna Property, Burkina Faso, West Africa

During the period, the Company acquired a government exploration permit granting the Company a 100% interest in the Solna property located in Burkina Faso, West Africa.

d) Details of cumulative expenditures are as follows:

| | Acquisition | Exploration | 31 January 2005 | 31 October 2004 |
|-------------------------------|-------------|--------------|--------------------|--------------------|
| Rambo, West Africa | \$ 185,123 | \$ 1,493,450 | \$ 1,678,573 | \$ 1,519,045 |
| Liquidi Malguem, West Africa | 55,333 | 172,689 | 228,022 | 1,217 |
| Solna, West Africa | - | 72,884 | 72,884 | 5,012 |
| Other properties, West Africa | - | 8,278 | 8,278 | - |
| | \$ 240,456 | \$ 1,747,301 | \$ 1,987,757 | \$ 1,525,274 |

5. 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:

| | 31 January 2005 | | 31 October 2004 | |
|--|-----------------|--------------|-----------------|--------------|
| | Shares | Amount | Shares | Amount |
| Balance - beginning of period | 10,679,601 | \$ 3,291,998 | 6,445,001 | \$ 1,096,247 |
| Private placement | - | - | 4,000,000 | 2,200,000 |
| Share issuance costs | - | - | - | (85,399) |
| Shares issued for property (Note 4a) | 50,000 | 27,500 | 50,000 | 27,500 |
| Shares issued for finder's fee (Note 4a) | - | - | 25,000 | 13,750 |
| Shares issued on exercise of Warrants | - | - | 159,600 | 39,900 |
| Balance - end of period | 10,729,601 | \$ 3,319,498 | 10,679,601 | \$ 3,291,998 |

b) Contributed Surplus

Details are as follows:

| | 31 January 2005 | 31 October 2004 |
|------------------------------------|--------------------|--------------------|
| Balance - beginning of period | \$ 441,521 | \$ 7,839 |
| Stock-based compensation (Note 5f) | 37,554 | 433,682 |
| Balance - end of period | \$ 479,075 | \$ 441,521 |

Riverstone Resources Inc.

Notes to Interim Financial Statements

31 January 2005

Canadian Funds

Unaudited

5. Share Capital - continued

- c) As at 31 January 2005, there were 462,263 (2004 – 616,350) shares held in escrow, which are being released over time according to TSX Venture Exchange policy.
- d) As at 31 January 2005, 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 |
| 205,850 | \$ 0.75 | 23 June 2005 |
| <u>2,505,850</u> | | |

- e) As at 31 January 2005, the Company had stock options outstanding as follows:

| Grant Date | Number | Exercise Price | Expiry Date |
|------------------|------------------|----------------|------------------|
| 19 August 2003 | 610,000 | \$ 0.14 | 19 August 2008 |
| 12 January 2004 | 440,000 | \$ 1.10 | 12 January 2009 |
| 5 May 2004 | 805,000 | \$ 0.38 | 5 May 2009 |
| 1 September 2004 | 100,000 | \$ 0.32 | 1 September 2009 |
| | <u>1,955,000</u> | | |

The outstanding options have a weighted-average exercise price of \$0.46 and a weighted-average remaining life of 3.99 years. As at 31 January 2005, 1,490,000 of these options had vested.

f) Stock-Based Compensation

For the periods ended 31 January, the Company issued stock options to its directors, officers and employees and estimated stock-based compensation as follows:

| | 2005 | 2004 |
|--------------------------------------|------|------------|
| Total options granted | - | 440,000 |
| Average exercise price | \$ - | \$ 1.10 |
| Estimated fair value of compensation | \$ - | \$ 288,978 |
| Estimated fair value per option | \$ - | \$ 0.66 |

Riverstone Resources Inc.

Notes to Interim Financial Statements

31 January 2005

Canadian Funds

Unaudited

5. Share Capital - *continued*

f) **Stock-Based Compensation** - *continued*

The fair value of the stock-based compensation to be recognized in the accounts has been estimated using the Black-Scholes Option-Pricing Model with the following weighted-average assumptions:

| | 2005 | 2004 |
|---------------------------------|-------------|--------|
| Risk-free interest rate | - | 3.80% |
| Expected dividend yield | - | 0.00% |
| Expected stock price volatility | - | 74.85% |
| Expected option life in years | - | 5.00 |

The company has recorded stock-based compensation for the options that vested during the period as follows:

| | 2005 | 2004 |
|--|------------------|------------|
| Number of options vested in period | 113,125 | 440,000 |
| Stock-based compensation expense | \$ 34,308 | \$ 288,978 |
| Capitalized to mineral properties | 3,246 | - |
| Total compensation recognized for the period | 37,554 | 288,978 |
| Transfer to share capital – options exercised | - | - |
| Net addition to contributed surplus for the period | \$ 37,554 | \$ 288,978 |

Option pricing models require the input of highly subjective assumptions, particularly as to the expected price volatility of the stock. Changes in these assumptions can materially affect the fair value estimated, and therefore it is management's view that the existing models do not necessarily provide a reliable measure of the fair value of the Company's stock option grants.

6. Related Party Transactions

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

- a) Administration and management fees paid to directors and companies controlled by directors - \$31,500 (2004 - \$7,500);
 - b) Rent and office services fees paid to a company with directors in common - \$12,000 (2004 - \$Nil);
 - c) Graphic design and drafting fees paid to parties related to directors \$2,750 (2004 - \$Nil).
-

Notes to Interim Financial Statements

31 January 2005

Canadian Funds

Unaudited

7. Income Taxes

- a) The Company has incurred losses for income tax purposes of approximately \$592,000 that 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 |
| 2011 | 229,000 |
| | <u>\$ 592,000</u> |

- b) The Company has approximately \$1,913,000 of resource related expenditures that 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. Commitments

The Company has management services agreements with two of its directors that call for an aggregate of \$8,000 per month. The contracts are for rolling two-year terms that renew automatically each year, unless otherwise terminated or altered by mutual consent. Should the Company terminate these contracts without cause, it would become liable for the total amounts payable under the contracts for the remaining terms.

9. 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.

| | 31 January 2005 | | |
|--------|-----------------|--------------|--------------|
| | Canada | Burkina Faso | Total |
| Assets | \$ 421,110 | \$ 1,987,757 | \$ 2,408,867 |

| | 31 October 2004 | | |
|--------|-----------------|--------------|--------------|
| | Canada | Burkina Faso | Total |
| Assets | \$ 924,836 | \$ 1,525,274 | \$ 2,450,110 |

10. Subsequent Events

Subsequent to 31 January 2005, the company received cash proceeds of \$161,370 upon the exercise of 1,326,000 warrants.

RIVERSTONE RESOURCES INC.
Report to Shareholders and
Management Discussion and Analysis
Of the Financial Position and Results of Operations
For the First Quarter Ended January 31, 2005

March 30, 2005

TO OUR SHAREHOLDERS:

This Management's Discussion and Analysis ("MD&A") supplements, but does not form part of, the unaudited financial statements of the Company and the notes thereto for the three months ended January 31, 2005. Consequently, the following discussion and analysis of the financial condition and results of operations for Riverstone Resources Inc. ("Riverstone" or the "Company"), should be read in conjunction with the January 31, 2005 unaudited financial statements and the audited annual financial statements for the year ended October 31, 2004 and related notes therein, which have been prepared in accordance with Canadian generally accepted accounting principles, consistently applied.

Discussion of the Company, its operations and associated risks is further described in the Company's Annual Information Form and other filings, available for viewing at www.sedar.com. A Copy of this MD&A will be provided to any applicant upon request.

FORWARD-LOOKING STATEMENTS

Certain statements contained in the following MD&A and elsewhere constitute forward-looking statements. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks set forth below. Aside from factors identified in the annual MD&A, additional important factors, if any, are identified here.

GENERAL

Riverstone is a mineral exploration company that has interests in various mineral claims in Burkina Faso, West Africa. Two of the Company's properties are subject to option agreements and net smelter return royalties, while other claims are held in the form of government permits. All of the properties are subject to a standard Government 10% carried production interest. All property transactions have been conducted on an arm's length basis between the Company and the vendors.

The Rambo, Liquidi Malguem, and Solna gold properties are the primary exploration properties held by the Company. However, the Company is actively seeking additional properties for acquisition and exploration and development – see *Mineral Exploration*.

SIGNIFICANT EVENTS AND TRANSACTIONS

During the quarter, the Company entered into an option agreement to acquire an 80% interest in the Liquidi Malguem mineral claims located in Burkina Faso. This agreement calls for cash payments to the optionor totalling US\$95,000 and requires the Company to incur exploration expenditures of approximately US\$210,000 by December 31, 2005. Upon earning its interest, the Company will form a joint venture with the optionor.

During the quarter, the Company also acquired a government exploration permit granting the Company a 100% interest in the Solna property located in Burkina Faso, West Africa.

MINERAL EXPLORATION

The Rambo permit is located in the north-eastern part of Burkina Faso and is contiguous with St. Jude's Goulagou project. The permit comprises 150 square kilometres in area and covers six artisanal workings. During 2004, the Company undertook drilling programs which identified a generally east-west trending, south dipping shear zone about 18 metres in width and a gold bearing mineralised shoot within the structure. The Company drilled a total of 16 reverse circulation holes and 9 diamond drill holes and defined a gold-bearing zone with a strike length of approximately 150 metres, an average width of approximately 11 metres that has been traced by drilling to a depth of 120 metres and is open at depth.

Significant results from the 2004 programs were as follows:

| Hole Number | From (metres) | To (metres) | Interval (metres) | Gold (grams/tonne) |
|--------------------|----------------------|--------------------|--------------------------|---------------------------|
| <u>Core holes:</u> | | | | |
| | | | | |
| RADD-04-01 | 109.85 | 112.90 | 3.05 | 2.60 |
| RADD-04-03 | 217.97 | 221.0 | 3.03 | 2.70 |
| RADD-04-07 | 174.02 | 175.92 | 1.90 | 7.87 |
| and | 183.72 | 186.55 | 2.83 | 5.26 |
| RADD-04-08 | 103.69 | 122.30 | 18.61 | 3.41 |
| Including | 116.50 | 122.30 | 5.80 | 8.22 |
| RADD-04-09 | 32.90 | 38.95 | 6.05 | 2.96 |
| | | | | |
| <u>RC holes</u> | | | | |
| | | | | |
| RA-04-01 | 48.0 | 64.5 | 16.5 | 4.5 |
| RA-04-02 | 63.0 | 84.0 | 21.0 | 1.2 |
| RA-04-04 | 63.0 | 70.5 | 7.5 | 4.2 |
| RA-04-05 | 87.0 | 99.0 | 12.0 | 7.0 |
| RA-04-07 | 73.3 | 79.5 | 6.0 | 16.4 |
| RA-04-08 | 46.5 | 48.0 | 1.5 | 7.1 |

Work on the Rambo property during the first quarter of 2005 included assessment of results and planning for the 2005 drilling campaign. No physical work was undertaken on the Rambo property.

During the first quarter of fiscal 2005, the Company entered into an agreement to acquire an interest in the Liguidi Malguem mineral claims in Burkina Faso. To date, the Company has completed a geochemical soil survey and surface work on the property. Within this area are several anomalous zones where soil gold values are generally over 50 ppb and as high as 2,600 ppb. The largest of these covers an area approximately 4 km in length and up to 2 km in width. Several other anomalous zones are at least 1 km long and up to 1 km in width. Assay results are available for 79 rock samples taken in the larger grid area; of these, 26 samples showed higher values of between 100 ppb and 500 ppb and a further 8 samples assayed between 1.3 g/t (0.04 oz/ton gold) and 12.0 g/t (0.35 oz/ton gold). Three specific target areas were identified; the Three Hills zone near the centre of the permit, the Wayalguin zone to the north-east and the Dassoui zone to the south-west. The existence of artisanal gold workings is widespread in the area. Further work, including drilling, is planned during 2005.

During the first quarter of 2005, the Company also acquired exploration licences on the Solna property through the government application process. The Solna permit covers 160 square kilometres and is located in eastern Burkina Faso. Gold mineralization within the permit area is hosted in a zone of numerous quartz and quartz-tourmaline veins cutting foliated and sheared rocks of the Sebba greenstone belt, which is part of the lower Proterozoic Birimian greenstone sequence that hosts most of the major

gold deposits in West Africa. Out of 53 rock samples collected during a reconnaissance program, 18 showed values over 1.0 gram gold/tonne ("g/t") and 14 samples showed gold values over 2.9 g/t. The gold values ranged from 1.4 g/t to 8.4 g/t and averaged 3.9 g/t. The Company has initiated an initial exploration program of mapping and rock and soil sampling which has confirmed the anomalous gold areas. Further work is planned for 2005.

No work has been undertaken to date on the Yaramoko permit area which is located in southwest Burkina Faso on the Houndé greenstone belt where Orezone Resources is exploring its Bondi and other properties and has reported encouraging results nor on the Kao permit area which is contiguous with Rambo. Work is planned for the 2005 field season.

RESULTS OF OPERATIONS

The loss for the quarter was \$119,167, which compares to a loss of \$347,497 for the same quarter of the previous year. Significant items comprising the current quarter loss include \$31,500 for administration and management fees, \$16,369 for professional fees, \$9,655 for consulting fees, \$12,000 for rent and office services and \$34,308 for stock-based compensation. Cash flows used in operations for the quarter, before changes in non-cash working capital items, totalled \$84,859 compared to cash of \$58,519 used in operations in the 2003 quarter.

Compared to the quarter of the prior year, general and administrative costs increased; however, there was a large decrease in stock-based compensation (\$34,308 in 2005 compared to \$288,978 in 2004) relating to the granting of stock options, as the Company adopted vesting provisions for options granted in the latter part of fiscal 2004. Administration, management and consulting fees increased due to the increased level of exploration activity and work required to comply with regulatory matters. In addition, office rent and services increased as the Company moved its offices to a new location where it now receives office support services. Travel and promotion costs increased over the prior year's quarter due to the Company hiring an investor relations manager.

The Company incurred total resource property costs of \$462,483 during the quarter as a result of exploration work completed primarily on the Rambo, Liquidi Malguem, and Solna properties. This compares to \$146,376 incurred in the same quarter of the prior year, when the Company was in the early stages of exploring only its Rambo property. Current costs included \$143,206 for acquisition costs, \$85,037 for assaying charges, and \$84,763 for surface geological work including trenching and geochemical surveys. Camp and general costs, including local labour costs, totalled \$109,857. Stock-based compensation relating to stock options granted to field personnel totalling \$3,246 was recorded in the quarter. Total costs for the year also include \$8,278 incurred on reconnaissance and data collection on other prospective properties in the West Africa region. Acquisition costs include a cash payment of US\$50,000 and the issuance of 50,000 shares under the Rambo agreement, and a cash payment of US\$45,000 under the Liquidi Malguem agreement.

SUMMARY OF QUARTERLY RESULTS

Financial Data for the Last Eight Quarters

| Three Months Ended | Jan-05 | Oct-04 | Jul-04 | Apr-04 | Jan-04 | Oct-03 | Jul-03 | Apr-03 |
|---------------------------------|-----------|----------|-----------|----------|-----------|----------|----------|---------|
| Total Revenues | \$Nil | \$Nil | \$Nil | \$Nil | \$Nil | \$Nil | \$Nil | \$Nil |
| Loss before extraordinary items | \$119,167 | \$73,383 | \$165,486 | \$30,463 | \$347,497 | \$45,220 | \$14,389 | \$4,988 |
| Loss for the period | \$119,167 | \$73,383 | \$165,486 | \$30,463 | \$347,497 | \$45,220 | \$14,389 | \$4,988 |
| Loss per share | \$0.01 | \$0.01 | \$0.02 | \$0.00 | \$0.04 | \$0.01 | \$0.00 | \$0.00 |

The more recent quarterly losses reflect a higher level of exploration and administrative activity as the Company was relatively inactive for most of the 2003 fiscal year.

The only item that produced significant inconsistencies among the quarters reported above was stock-based compensation. The Q1 2004 loss is higher than all other quarters due to the recognition of \$288,978 in stock-based compensation relating to 440,000 shares that were granted in that quarter.

These options vested immediately, therefore, the entire expense was recognized in the first quarter. Subsequent grants of stock options in Q3 2004 (805,000 options) and Q4 2004 (100,000 options) were subject to vesting provisions, therefore, the expense in subsequent quarters was significantly less than that recognized in Q1 2004. In addition, the fourth quarter loss in 2004 was reduced by an adjustment that capitalized \$75,239 of stock-based compensation, which related to field personnel, to the Rambo property. There were no options granted in Q1 2005. Cash flows used in operations, before changes in non-cash working capital items, were fairly consistent over the four quarters of 2004 and the first quarter of 2005, reflecting a slight upward trend due to the increasing activity of the Company.

FINANCIAL POSITION AND LIQUIDITY

Riverstone has no history of profitable operations and its mineral projects are at an early stage. Therefore, it is subject to many risks common to comparable companies, including under-capitalization, cash shortages and limitations with respect to personnel, financial and other resources as well as a lack of revenues.

At the end of the quarter under review, the Company had working capital of \$98,922 compared to \$2,049,354 at the end of the previous year's quarter and \$615,518 as at October 31, 2004. The reduction during the quarter primarily reflects the use of working capital for mineral exploration expenditures on the Burkina Faso properties, together with indirect and administrative costs – see *Results of Operations*. There were no cash receipts during the quarter for the issuance of share capital.

CAPITAL RESOURCES AND COMMITMENTS

The Company has cash payment, share issuance and mineral expenditure requirements under its Rambo property agreement. Terms of the agreement include cash payments totalling US\$240,000 (US\$90,000 paid) and the issue to the vendors of a total of 250,000 common shares (100,000 issued) of the Company over a period of four years, with a work commitment totalling US\$500,000 over a period of three years. The Company has satisfied the entire exploration expense requirement on the property.

The Company has cash payment and mineral expenditure requirements under its Liguidi Malguem property agreement. This agreement calls for cash payments to the optionor of US\$95,000 (US\$45,000 paid) and requires the Company to incur exploration expenditures of approximately US\$210,000 (approximately US\$138,000 incurred) by December 31, 2005.

The Company has business services agreements, with two of its directors, which call for monthly payments of \$4,000 each with a term of two years, renewable upon mutual consent. The Company also has a month-to-month agreement, with a company related by certain directors it has in common, for office rent and administrative support services. The Company pays \$4,000 per month and the agreement can be cancelled at any time.

The Company has insufficient funds to complete the terms of its property agreements and meet its overhead requirements for the ensuing year. It will be necessary for the Company to arrange for additional financing during the coming year to meet all of its planned exploration expenditures and overhead requirements.

Management believes it will be able to raise equity capital as required in the long term, but recognizes the risks attached thereto. Historically the capital requirements of the Company have been met by equity subscriptions. Although the Company has been successful in the past in obtaining financing, there can be no assurance that it will be able to obtain adequate financing in the future or that the terms of such financing may be favourable.

OFF-BALANCE SHEET ARRANGEMENTS

The Company had no off-balance sheet arrangements as at January 31 2005 or as at the date hereof.

RELATED PARTY TRANSACTIONS

Transactions with related parties are disclosed in the financial statements and include administration and management fees for the year of \$31,500 (2004 - \$7,500), and rent and office services of \$12,000 (2004 - \$Nil) paid to a company with which the company shares directors in common. The increase in the value of related party transactions over the prior period is due to the fact that the Company relies on its directors and officers to provide much of the Company's professional and administrative support; therefore, with the significant increase in the activity of the Company during the year, such related party transactions have increased accordingly.

CHANGES IN ACCOUNTING POLICIES

There were no changes in accounting policies in the quarter under review.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and term deposits, GST receivable and accounts payable. Term deposits earn interest at market rates. The Company maintains most of its cash in Canadian dollars; however, from time to time a small amount of cash is maintained in foreign currencies and is therefore subject to changes in fair value due to fluctuations in exchange rates. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

Consistent with other companies in the mineral exploration industry, the Company has no source of operating revenue. The Company's January 31, 2005 unaudited financial statements provide a breakdown of the general and administrative expenses for the year under review (Statement 2) and an analysis of the capitalized and expensed exploration and development costs incurred on its mineral properties (Schedule and Note 4d).

OUTSTANDING SHARES

As at January 31, 2005, the Company had 10,729,601 (diluted – 15,190,451) common shares issued and outstanding versus 10,679,601 (diluted – 15,140,451) at October 31, 2004. The increase in the quarter is due to the issuance of 50,000 shares under the Rambo option agreement – see *Capital Resources and Commitments*.

Issued and diluted shares outstanding as at the date hereof are 12,055,601 and 15,190,451 respectively. The increase from January 31, 2005 reflects the subsequent issuance of 1,326,000 shares upon the exercise of outstanding share purchase warrants – see *Subsequent Events*.

INVESTOR RELATIONS ACTIVITIES

With respect to public relations, the Company's policy is to provide information from its corporate offices to investors and brokers directly.

MANAGEMENT

Riverstone is very dependent upon the personal efforts and commitments of its existing management. To the extent that management's services would be unavailable for any reason, a disruption to the operations of Riverstone could result, and other persons would be required to manage and operate the Company.

SUBSEQUENT EVENTS

Subsequent to January 31, 2005, the Company issued 1,326,000 shares from treasury upon the exercise of warrants for cash proceeds of \$161,370.

RISK FACTORS

Companies operating in the mining industry face many and varied kinds of risks. While risk management cannot eliminate the impact of all potential risks, the Company strives to manage such risks to the extent possible and practical. Following are the risk factors most applicable to the Company:

Exploring and developing mineral resource projects bears a high potential for all manner of risks. Additionally, few exploration projects successfully achieve development due to factors that cannot be predicted or foreseen. Moreover, even one such factor may result in the economic viability of a project being detrimentally impacted such that it is neither feasible nor practical to proceed. The Company closely monitors its activities and those factors that could impact them, and employs experienced consulting, engineering, insurance and legal advisors to assist in its risk management reviews.

Although the Company has taken steps to verify the title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

At present the principal activity of the Company is the exploration and development of gold resource properties. The feasible development of such properties is highly dependent upon the price of gold. A sustained and substantial decline in commodity gold prices could result in the write-down, termination of exploration and development work or loss of its interests in identified resource properties. Although such prices cannot be forecasted with certainty, the Company carefully monitors factors that could affect gold commodity prices in order to assess the feasibility of its resource projects.

Exploration and development projects are subject to the environmental laws and regulations of the country within which the Company is conducting its operations. As such laws are subject to change, the Company carefully monitors proposed and potential changes, and ensures that it is and will be in strict compliance.

Various non-governmental organizations dedicated to environmental protection monitor, amongst others, the mining industry. These organizations have in the past commenced actions with the regulatory agencies or the courts to prevent or delay mining activities.

APPROVAL

The Board of Directors of the Company has approved the disclosure contained in this Interim Management Discussion and Analysis.

Respectfully submitted
On Behalf of the Board of Directors

"Michael D. McInnis"

Michael D. McInnis, P. Eng.
President