

RIVERSTONE RESOURCES INC.

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INTERIM FINANCIAL STATEMENTS

31 July 2005

Unaudited

MANAGEMENT COMMENT

These interim financial statements of Riverstone Resources Inc. for the nine months ended 31 July 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 July 2005	As at 31 October 2004
Current		
Cash and term deposits	\$ 390,618	\$ 885,334
GST receivable	29,807	27,509
Prepaid expenses	17,824	11,993
	<u>438,249</u>	<u>924,836</u>
Resource Property Costs – Schedule (Note 4)	3,069,186	1,525,274
Property, Plant and Equipment (Note 5)	1,728	-
	<u>\$ 3,509,163</u>	<u>\$ 2,450,110</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities		
- trade	\$ 272,506	\$ 309,318
- related parties	3,228	-
	<u>275,734</u>	<u>309,318</u>
SHAREHOLDERS' EQUITY		
Share Capital (Note 6a)	4,649,004	3,291,998
Contributed Surplus (Note 6b)	606,032	441,521
Deficit - Statement 2	(2,021,607)	(1,592,727)
	<u>3,233,429</u>	<u>2,140,792</u>
	<u>\$ 3,509,163</u>	<u>\$ 2,450,110</u>

ON BEHALF OF THE BOARD:

"Michael D. McInnis"

_____, Director

"James Robertson"

_____, Director

Interim Statements of Loss and Deficit

Canadian Funds

Unaudited

	For the Three Months Ended 31 July		For the Nine Months Ended 31 July	
	2005	2004	2005	2004
General and Administrative				
Administration and management fees (Note 7a)	\$ 31,500	\$ 21,730	\$ 94,500	\$ 36,730
Amortization	91	-	91	-
Consulting	9,780	13,050	27,904	24,050
Foreign exchange loss (gain)	(403)	-	1,317	(1,832)
General exploration	-	-	335	-
Office and general	2,468	4,105	14,005	7,419
Professional	20,896	500	56,288	43,265
Rent and office services (Note 7c)	12,000	12,550	36,000	12,550
Shareholder information	1,467	3,555	10,069	6,892
Stock-based compensation (Note 6f)	40,558	102,628	147,487	391,606
Stock exchange and filing fees	100	770	6,792	25,072
Transfer agent	1,945	2,488	6,341	7,402
Travel and promotion	17,685	8,435	31,116	9,637
Loss Before the Under-Noted	138,087	169,811	432,245	562,791
Interest income	(720)	(4,325)	(3,365)	(19,345)
Loss for the Period	137,367	165,486	428,880	543,446
Deficit - beginning of period	1,884,240	1,353,858	1,592,727	975,898
Deficit - End of Period	\$ 2,021,607	\$ 1,519,344	\$ 2,021,607	\$ 1,519,344
Loss Per Share - Basic and Diluted	\$ 0.01	\$ 0.02	\$ 0.03	\$ 0.06
Weighted-Average Shares Outstanding	14,695,285	10,539,601	12,393,981	9,750,918

Interim Statements of Cash Flows

Canadian Funds

Unaudited

Cash Resources Provided By (Used In)	For the Three Months Ended 31 July		For the Nine Months Ended 31 July	
	2005	2004	2005	2004
Operating Activities				
Loss for the period	\$ (137,367)	\$ (165,486)	\$ (428,880)	\$ (543,446)
Items not affecting cash				
Amortization	91	-	91	-
Stock-based compensation	40,558	102,628	147,487	391,606
	(96,718)	(62,858)	(281,302)	(151,840)
Net change in non-cash working capital				
GST receivable	(10,417)	(9,288)	(2,298)	(5,806)
Prepaid expenses	3,275	65,117	(5,831)	-
Accounts payable and accrued liabilities				
- trade	(94,844)	43,364	(36,812)	166,344
- related	(16,717)	(16,556)	3,228	5,391
	(215,421)	19,779	(323,015)	14,089
Investing Activities				
Resource property costs	(621,661)	(435,578)	(1,499,388)	(868,468)
Property, plant and equipment	(1,819)	-	(1,819)	-
	(623,480)	(435,578)	(1,501,207)	(868,468)
Financing Activities				
Shares issued for cash	1,214,301	-	1,445,451	2,129,301
Share issuance costs	(115,945)	-	(115,945)	-
	1,098,356	-	1,329,506	2,129,301
Net Increase (Decrease) in Cash	259,455	(415,799)	(494,716)	1,274,922
Cash position - beginning of period	131,163	1,846,700	885,334	155,979
Cash Position - End of Period	\$ 390,618	\$ 1,430,901	\$ 390,618	\$ 1,430,901

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 as resource property cost	\$ 3,246	\$ -	\$ 17,024	\$ -

Interim Schedules of Resource Property Costs

Canadian Funds

Unaudited

	For the Three Months Ended 31 July		For the Nine Months Ended 31 July	
	2005	2004	2005	2004
Burkina Faso, West Africa				
Rambo Property				
Acquisition and option payments (Note 4a)	\$ 69	\$ -	\$ 89,159	\$ 94,017
Camp and general	12,377	101,503	91,655	132,691
Consulting	1,874	5,063	4,311	5,063
Drilling	86,890	51,000	88,104	188,012
Geochemical and assay	3,173	56,934	3,200	113,257
Geological	47,683	107,387	85,961	210,838
Lease, licenses and taxes	1,109	-	1,109	2,016
Local labour	514	36,225	10,631	48,593
Project management	3,098	2,063	8,112	2,063
Report preparation	-	20,993	1,139	25,630
Stock-based compensation (Note 6f)	3,246	-	17,024	-
Transportation	11,560	18,171	18,117	51,299
	171,593	399,339	418,522	873,479
Liquidi Malguem Property				
Acquisition and option payments (Note 4b)	-	-	66,779	-
Camp and general	41,777	-	179,587	-
Consulting	3,936	-	11,901	-
Drilling	62,968	-	62,968	-
Geochemical and assay	16,294	-	132,891	-
Geological	33,853	-	124,325	-
Lease, licenses and taxes	1,663	-	3,061	-
Local labour	8,962	-	34,576	-
Project management	6,389	-	13,973	-
Report preparation	456	-	736	-
Transportation	29,789	-	53,083	-
	206,087	-	683,880	-
Solna Property				
Acquisition	4,184	-	4,184	-
Camp and general	10,766	-	71,337	-
Consulting	376	-	6,093	-
Geochemical and assay	(85)	-	17,887	-
Geological	16,504	-	70,278	-
Lease, licenses and taxes	985	-	3,399	-
Local labour	865	-	19,924	-
Project management	3,066	-	8,133	-
Report preparation	-	-	133	-
Transportation	2,652	-	21,873	-
	39,313	-	223,241	-
Balances Carried Forward	\$ 416,993	\$ 399,339	\$ 1,325,643	\$ 873,479

Interim Schedules of Resource Property Costs

Canadian Funds

Unaudited

	For the Three Months Ended 31 July		For the Nine Months Ended 31 July	
	2005	2004	2005	2004
Balances Brought Forward	\$ 416,993	\$ 399,339	\$ 1,325,643	\$ 873,479
Burkina Faso, West Africa				
Kao Property				
Acquisition	4,184	-	4,184	-
Camp and general	10,106	-	10,106	-
Geochemical and assay	49,585	-	49,585	-
Geological	26,611	-	26,611	-
Lease, licenses and taxes	2,933	-	2,933	-
Local labour	2,360	-	2,360	-
Project management	2,017	-	2,017	-
Transportation	10,852	-	10,852	-
	108,648	-	108,648	-
Yaramoko Property				
Acquisition	4,310	-	4,310	-
Camp and general	17,781	-	17,781	-
Consulting	374	-	374	-
Geochemical and assay	42,593	-	42,593	-
Geological	18,262	-	18,262	-
Lease, licenses and taxes	340	-	340	-
Local labour	2,285	-	2,285	-
Project management	3,296	-	3,296	-
Transportation	9,625	-	9,625	-
	98,866	-	98,866	-
Other Properties				
Camp and general	640	1,613	3,237	1,613
Consulting	-	28,273	-	28,273
Geochemical and assay	-	-	41	-
Geological	(240)	6,353	1,925	6,353
Lease, licenses and taxes	-	-	5,552	-
	400	36,239	10,755	36,239
Costs for the Period	624,907	435,578	1,543,912	909,718
Balance - beginning of period	2,444,279	503,930	1,525,274	29,790
Balance - End of Period	\$ 3,069,186	\$ 939,508	\$ 3,069,186	\$ 939,508

Riverstone Resources Inc.

Notes to Interim Financial Statements

31 July 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 maintain its mineral interests and meet its administrative overhead. The ability of the Company to continue as a going concern is dependent upon its ability to generate profitable operations in the future and/or obtain additional financing. While the Company has been successful at raising funds in the past, 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 Canadian generally accepted accounting principles ("GAAP"). 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 value. The Company maintains only small balances of cash in foreign currencies, which it uses to fund its foreign projects. It is management's opinion that the Company is not exposed to significant interest, currency, or credit risks arising from these financial instruments.

Riverstone Resources Inc.

Notes to Interim Financial Statements

31 July 2005

Canadian Funds

Unaudited

4. Resource 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 (<i>\$10,000 paid</i>)	20,000	-
On or before 31 December 2005 (<i>completed</i>)	-	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 July 2005

Canadian Funds

Unaudited

4. Resource Properties - continued

c) Other Properties, Burkina Faso, West Africa

During the period, the Company acquired government exploration permits granting the Company through a third party a 100% interest in the Solna, Kao, and Yaramoko properties located in Burkina Faso, West Africa. The permits are held in trust for the Company by a Burkina Faso resident associated with the Company. The properties are subject to a standard government 10% carried production interest.

d) Details of cumulative expenditures are as follows:

	Acquisition	Exploration	31 July 2005	31 October 2004
Rambo	\$ 185,192	\$ 1,752,375	\$ 1,937,567	\$ 1,519,045
Liquidi Malguem	67,996	617,101	685,097	1,217
Solna	4,184	224,069	228,253	5,012
Kao	4,184	104,464	108,648	-
Yaramoko	4,310	94,556	98,866	-
Other properties	-	10,755	10,755	-
	\$ 265,866	\$ 2,803,320	\$ 3,069,186	\$ 1,525,274

5. Property, Plant and Equipment

Details are as follows:

	Cost	Accumulated Amortization	31 July 2005 Net Book Value	31 October 2004 Net Book Value
Computer equipment	\$ 1,819	\$ 91	\$ 1,728	\$ -

6. Share Capital

The authorized share capital of the company consists of an unlimited number of common shares without par value.

a) Share issuance details are as follows:

	31 July 2005		31 July 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
Private placement (i)	3,356,669	1,007,001	-	-
Private placement (ii)	500,000	150,000	-	-
Share issuance costs (i)	-	(115,945)	-	(85,399)
Property option payment (Note 4a)	50,000	27,500	50,000	27,500
Property finder's fee (Note 4a)	-	-	25,000	13,750
Exercise of options	105,000	14,700	-	-
Exercise of warrants	2,225,000	273,750	19,600	14,700
Balance - end of period	16,916,270	\$ 4,649,004	10,539,601	\$ 3,266,798

Riverstone Resources Inc.

Notes to Interim Financial Statements

31 July 2005

Canadian Funds

Unaudited

6. Share Capital - Continued

a) Share issuance details - *continued*

(i) During the period, the Company completed a brokered private placement of 3,356,669 units at a price of \$0.30 per unit for gross proceeds of \$1,007,001. Each unit consists of one common share of the Company and one-half of one share purchase warrant, each whole warrant entitling the holder to purchase an additional share of the Company for \$0.36 until 9 June 2006. The Company paid the agent a cash commission of 6.5% of the gross proceeds plus legal and filing expenses for total issuance costs of \$115,945. In addition, the Company issued broker warrants entitling the agent to purchase up to 268,534 units of the Company at a price of \$0.30 per unit until 9 June 2006. Each unit consists of one common share of the Company and one-half of one warrant, each whole warrant entitling the broker to purchase an additional share of the Company for \$0.36 until 9 June 2006.

(ii) During the period, the Company completed a non-brokered private placement of 500,000 units at a price of \$0.30 per unit for gross proceeds of \$150,000. Each unit consists of one common share of the Company and one-half of one share purchase warrant, each whole warrant entitling the holder to purchase an additional share of the Company for \$0.36 until 12 July 2006.

b) **Contributed Surplus**

Details are as follows:

	31 July 2005	31 July 2004
Balance - beginning of period	\$ 441,521	\$ 7,839
Stock-based compensation (Note 6f)	164,511	391,606
Balance - end of period	\$ 606,832	\$ 399,445

c) As at 31 July 2005, there were 369,811 (2004 - 554,715) shares held in escrow, which are being released over time according to TSX Venture Exchange policy.

d) At 31 July 2005, the Company had share purchase warrants outstanding entitling the holder to purchase shares as follows:

Shares	Exercise Price	Expiry Date
75,000	\$ 0.15	15 August 2005
1,812,603	\$ 0.36	9 July 2006
268,534	\$ 0.30	9 July 2006
250,000	\$ 0.36	12 July 2006
2,406,137		

e) At 31 July 2005, the Company had stock options outstanding entitling the holder to purchase shares as follows:

Grant Date	Number	Exercise Price	Expiry Date
19 August 2003	505,000	\$ 0.14	19 August 2008
12 January 2004	440,000	\$ 0.40	12 January 2009
5 May 2004	805,000	\$ 0.38	5 May 2009
1 Sept 2004	100,000	\$ 0.30	1 Sept 2009
13 Apr 2005	180,000	\$ 0.40	13 Apr 2010
	2,030,000		

The outstanding options have a weighted average exercise price of \$0.32 and a weighted-average remaining life of 3.62 years. As at 31 July 2005, 1,783,750 options have vested.

Notes to Interim Financial Statements

31 July 2005

Canadian Funds

Unaudited

6. Share Capital - continued

f) Stock-Based Compensation

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

	2005		2004
Total options granted	180,000		1,245,000
Average exercise price	\$ 0.40	\$	0.63
Estimated fair value of compensation	\$ 49,999	\$	567,703
Estimated fair value per option	\$ 0.28	\$	0.46

In addition, during the period the Company re-priced 440,000 options from an exercise price of \$1.10 per share to an exercise price of \$0.40 per share. All other terms of the grant remain unchanged. Estimated incremental stock-based compensation of \$32,058 (estimated fair value per option - \$0.13) relating to these options was recorded in the period.

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	3.50%		3.72%
Expected dividend yield	0.00%		0.00%
Expected stock price volatility	95.04%		75.85%
Expected option life in years	4.11		5.00

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

	2005		2004
Number of options vested in period	846,875		641,250
Stock-based compensation expense	\$ 147,487	\$	391,606
Capitalized to mineral properties	17,024		-
Total compensation recognized for the period	164,511		391,606
Transfer to share capital – options exercised	-		-
Net addition to contributed surplus for the period	\$ 164,511	\$	391,606

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.

Notes to Interim Financial Statements

31 July 2005

Canadian Funds

Unaudited

7. 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 a company controlled by a director - \$94,500 (2004 - \$39,230).
- b) Office rent paid to a company controlled by a director - \$Nil (2004 - \$1,400).
- c) Fees for office rent and services paid to a company with directors in common - \$36,000 (2004 - \$12,000).
- d) Graphic design and drafting fees paid to parties related to directors - \$3,875 (2004 - \$Nil).

8. Income Taxes

- a) The Company has incurred losses for income tax purposes of approximately \$592,000 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
2011		229,000
	\$	592,000

- 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.

9. Commitments

The Company has management services agreements with two of its directors that require an aggregate payment 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.

Riverstone Resources Inc.

Notes to Interim Financial Statements

31 July 2005

Canadian Funds

Unaudited

10. Segmented Information

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

	31 July 2005		
	Canada	Burkina Faso	Total
Assets	\$ 417,689	\$ 3,091,474	\$ 3,509,163

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

11. Subsequent Events

Subsequent to 31 July 2005, the Company received cash proceeds of \$11,250 upon the exercise of 75,000 share purchase warrants.
