

RIVERSTONE RESOURCES INC.

**Suite 906 – 595 Howe Street
Vancouver, BC, V6C 2T5
Tel: 604.801.5020
Fax: 604.801.6075**

INTERIM FINANCIAL STATEMENTS

31 July 2007

Unaudited

MANAGEMENT COMMENT

These interim financial statements of Riverstone Resources Inc. for the nine months ended 31 July 2007 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 2007	As at 31 October 2006
Current		
Cash	\$ 1,398,556	\$ 1,379,694
Accounts receivable	38,122	48,666
Prepaid expenses	42,736	31,145
	<u>1,479,414</u>	<u>1,459,505</u>
Resource Property Costs – Schedule (Note 4)	7,156,968	5,219,403
Plant and Equipment (Note 5)	20,171	10,437
	<u>\$ 8,656,553</u>	<u>\$ 6,689,345</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities		
- trade	\$ 316,869	\$ 229,818
- related parties	13,547	1,445
Subscriptions received (Note 6a)	1,390,020	-
	<u>1,720,436</u>	<u>231,263</u>
Going Concern (Note 1)		
Commitments (Note 9)		
SHAREHOLDERS' EQUITY		
Share Capital (Note 6a)	9,416,448	8,413,817
Contributed Surplus (Note 6b)	1,065,227	856,143
Deficit - Statement 2	(3,545,558)	(2,811,878)
	<u>6,936,117</u>	<u>6,458,082</u>
	<u>\$ 8,656,553</u>	<u>\$ 6,689,345</u>

ON BEHALF OF THE BOARD:

"Michael D. McInnis"

_____, Director

"James Robertson"

_____, Director

- See Accompanying Notes -

Interim Statements of Loss and Deficit

Canadian Funds

Unaudited

	For the Three Months Ended 31 July		For the Nine Months Ended 31 July	
	2007	2006	2007	2006
General and Administrative				
Administration and management fees (Note 7a)	\$ 24,000	\$ 24,000	\$ 72,000	\$ 72,000
Amortization	1,766	968	3,375	2,390
Consulting	8,250	10,450	25,373	27,125
Foreign exchange loss (gain)	9,629	(3,077)	4,844	(7,945)
General exploration	1,688	16,785	26,788	16,785
Interest and financing (Note 10)	-	281	-	20,293
Office and general	4,030	3,329	11,311	8,698
Professional	55,547	42,548	89,361	73,787
Promotion and public relations	15,344	28,152	77,505	47,145
Rent and office services (Note 7b)	12,000	12,000	36,000	36,000
Salaries and wages	28,991	23,057	86,540	23,057
Shareholder information	2,861	2,058	10,290	5,503
Stock-based compensation (Note 6f)	124,100	30,465	220,994	125,071
Stock exchange and filing fees	981	826	11,400	15,943
Transfer agent	983	1,814	7,064	9,266
Travel and promotion	7,319	23,306	73,325	23,306
Loss Before the Under-Noted	297,489	216,962	756,170	498,424
Interest income	(4,272)	(15,338)	(22,490)	(15,338)
Loss for the Period	293,217	201,624	733,680	483,086
Deficit - beginning of period	3,252,341	2,419,813	2,811,878	2,138,351
Deficit – End of Period	\$ 3,545,558	\$ 2,621,437	\$ 3,545,558	\$ 2,621,437
Loss Per Share - Basic and Diluted	\$ 0.01	\$ 0.01	\$ 0.02	\$ 0.02
Weighted-Average Shares Outstanding	31,738,030	28,125,199	30,793,426	21,549,554

- See Accompanying Notes -

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	
	2007	2006	2007	2006
Operating Activities				
Loss for the period	\$ (293,217)	\$ (201,624)	\$ (733,680)	\$ (483,086)
Items not affecting cash				
Amortization	1,766	968	3,375	2,390
Shares issued for loan bonus	-	-	-	18,000
Stock-based compensation	124,100	30,465	220,994	125,071
	(167,351)	(170,191)	(509,311)	(337,625)
Net change in non-cash working capital				
Accounts receivable	(20,235)	(18,149)	10,544	88
Prepaid expenses	(20,368)	3,309	(11,591)	363
Accounts payable and accrued liabilities				
- trade	28,858	(91,248)	31,759	(46,426)
- related	11,985	(110,173)	12,102	(44,194)
	(167,111)	(386,452)	(466,497)	(427,794)
Investing Activities				
Resource property costs	(535,531)	(601,909)	(1,867,273)	(1,091,387)
Plant and equipment	(11,375)	(800)	(13,109)	(3,948)
	(546,906)	(602,709)	(1,880,382)	(1,095,335)
Financing Activities				
Shares issued for cash	-	3,577,097	986,956	4,042,097
Share issuance costs	-	(282,973)	(11,235)	(338,635)
Loan payable	-	(90,000)	-	-
Subscriptions received	1,390,020	-	1,390,020	-
	1,390,020	3,204,124	2,365,741	3,703,462
Net Increase in Cash	676,003	2,214,963	18,862	2,180,333
Cash position - beginning of period	722,553	62,406	1,379,694	97,036
Cash Position - End of Period	\$ 1,398,556	\$ 2,277,369	\$ 1,398,556	\$ 2,277,369

Schedule of Non-Cash Investing and Financing Transactions

Shares issued for resource property	\$ -	\$ -	\$ 15,000	\$ 27,500
Increase (decrease) in resource property accounts payable	\$ (40,677)	\$ 165,555	\$ 55,292	\$ 123,843
Fair value of stock options exercised	\$ -	\$ -	\$ 11,910	\$ -
Stock-based compensation recorded as resource property cost	\$ -	\$ -	\$ -	\$ 176

- See Accompanying Notes -

Interim Schedules of Resource Property Costs

Canadian Funds

Unaudited

	For the Three Months Ended 31 July		For the Nine Months Ended 31 July	
	2007	2006	2007	2006
Burkina Faso, West Africa				
Rambo Property				
Acquisition and option payments (Note 4a)	\$ -	\$ 39,130	\$ 72,650	\$ 84,082
Camp and general	2,698	(3,484)	3,577	35,350
Consulting	-	1,196	-	1,946
Geological	1,342	15,364	2,631	75,463
Lease, licenses and taxes	-	3,819	-	3,819
Project management	-	5,562	39	14,147
Stock-based compensation (Note 6f)	-	-	-	176
Transportation	69	1,968	475	5,847
	4,109	63,555	79,372	220,830
Liquidi Malguem Property				
Acquisition and option payments (Note 4b)	-	-	34,516	-
Camp and general	2,408	6,740	7,756	30,448
Consulting	-	1,196	377	1,196
Geochemical and assay	-	594	-	594
Geological	1,543	42,982	12,040	74,862
Lease, licenses and taxes	3,425	626	3,425	626
Project management	-	1,860	299	8,902
Transportation	141	19,312	1,894	21,380
	7,517	73,310	60,307	138,008
Solna Property				
Camp and general	723	490	1,767	30,468
Consulting	-	1,196	-	1,196
Geochemical and assay	641	-	641	-
Geological	2,476	792	6,525	48,723
Lease, licenses and taxes	-	909	-	909
Project management	-	30	20	7,067
Transportation	514	-	920	887
	4,354	3,417	9,873	89,250
Kao Property				
Camp and general	31,502	21,969	82,592	40,291
Consulting	-	1,196	3,450	1,196
Drilling	77,598	66,896	204,136	66,896
Geochemical and assay	10,737	1,663	25,583	1,663
Geological	25,280	5,795	74,587	28,170
Geophysical	-	-	12,407	-
Lease, licenses and taxes	-	1,883	-	3,000
Local labour	4,153	2,123	9,067	2,123
Project management	783	220	2,394	6,496
Transportation	12,539	171	29,402	1,165
	162,592	101,916	443,618	151,000
Balances Carried Forward	\$ 178,572	\$ 242,198	\$ 593,170	\$ 599,088

- See Accompanying Notes -

Interim Schedules of Resource Property Costs

Canadian Funds

Unaudited

	For the Three Months Ended 31 July		For the Nine Months Ended 31 July	
	2007	2006	2007	2006
Balances Brought Forward	\$ 178,572	\$ 242,198	\$ 593,170	\$ 599,088
Burkina Faso, West Africa				
Yaramoko Property				
Camp and general	11,526	26	11,600	14,593
Consulting	755	1,196	755	1,196
Geochemical and assay	4,524	-	4,524	-
Geological	33,967	3,374	33,967	24,960
Lease, licenses and taxes	-	1,735	-	1,735
Local labour	183	-	183	-
Project management	1,699	31	1,699	5,354
Transportation	8,936	-	9,018	1,028
	61,590	6,362	61,746	48,866
Tao Property				
Acquisition and option payments (Note 4d)	-	-	34,430	48,223
Camp and general	130	63,451	8,003	63,451
Consulting	-	-	182	-
Drilling	-	78,698	-	78,698
Geochemical and assay	-	1,900	3,052	1,900
Geological	687	26,972	21,923	26,972
Local labour	-	2,753	188	2,753
Project management	-	1,356	1,050	1,356
Transportation	-	15,102	5,110	15,102
	817	190,232	73,938	238,455
Yantara Property				
Camp and general	7,369	591	7,369	931
Consulting	377	-	377	-
Geochemical and assay	6,491	-	6,491	-
Geological	7,386	750	7,386	753
Lease, licenses and taxes	-	-	-	703
Local labour	3,015	-	3,015	-
Project management	-	69	-	69
Transportation	7,712	84	7,712	84
	32,350	1,494	32,350	2,540
Teyango Property				
Camp and general	9,610	8	9,610	334
Consulting	377	-	377	-
Geochemical and assay	10,688	-	10,688	-
Geological	9,645	-	9,645	-
Lease, licenses and taxes	-	-	-	675
Transportation	7,401	3	7,401	3
	37,721	11	37,721	1,012
Balances Carried Forward	\$ 311,050	\$ 440,297	\$ 798,925	\$ 889,961

- See Accompanying Notes -

Interim Schedules of Resource Property Costs

Canadian Funds

Unaudited

	For the Three Months Ended 31 July		For the Nine Months Ended 31 July	
	2007	2006	2007	2006
Balances Brought Forward	\$ 311,050	\$ 440,297	\$ 798,925	\$ 889,961
Burkina Faso, West Africa				
Bissa East Properties				
Acquisition and option payments (Note 4c)	-	45,332	34,598	57,142
Camp and general	51,231	89,507	171,858	92,255
Consulting	371	-	3,805	-
Drilling	10,014	55,012	143,763	55,012
Geochemical and assay	7,193	22,245	107,316	22,245
Geological	44,130	63,182	170,231	63,182
Lease, licenses and taxes	-	4,386	-	8,784
Local labour	3,868	12,995	20,206	12,995
Project management	7,245	2,132	10,971	2,132
Transportation	15,391	30,472	117,602	30,472
	139,443	325,263	780,350	344,219
Bissa West Properties				
Camp and general	16,330	-	70,619	2,073
Consulting	365	-	2,671	-
Drilling	-	-	75,378	-
Geochemical and assay	4,486	1,904	40,679	2,256
Geological	19,130	-	114,977	-
Lease, licenses and taxes	-	-	3,522	4,397
Local labour	531	-	7,492	-
Project management	407	-	4,882	-
Transportation	3,112	-	33,780	-
	44,361	1,904	354,000	8,726
Other Properties				
Lease, licenses and taxes	-	-	4,290	-
	-	-	4,290	-
Costs for the Period	494,854	767,464	1,937,565	1,242,906
Balance - beginning of period	6,662,114	3,780,415	5,219,403	3,304,973
Balance - End of Period	\$ 7,156,968	\$ 4,547,879	\$ 7,156,968	\$ 4,547,879

- See Accompanying Notes -

Notes to Interim Financial Statements

31 July 2007

Canadian Funds

Unaudited

1. Going Concern

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 upon the validity of this assumption. Consistent with other companies in the mining exploration industry, the Company has no source of revenue, is unable to self-finance operations, and has significant cash requirements to meet its overhead and maintain its mineral interests. The ability 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 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

a) 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 2006. All financial information presented herein is unaudited.

b) Financial Instruments

Effective 1 November 2006, the Company adopted the recommendations of CICA Handbook Section 3855, *Financial Instruments – Recognition and Measurement*, Section 1530, *Comprehensive Income* and Section 3865, *Hedges*. These sections provide guidance on the recognition and valuation of certain types of financial instruments. There is no effect on prior periods as a result of adopting these new standards.

3. Financial Instruments

The fair value of the Company's cash, accounts receivable, accounts payable and accrued liabilities, and subscriptions received is estimated to approximate their carrying value due to their short-term maturity or capacity of prompt liquidation. 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.

Notes to Interim Financial Statements

31 July 2007

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. 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 agreement <i>(paid)</i>	\$ 5,000	-	\$ -
Upon regulatory approval <i>(paid, issued)</i>	35,000	50,000	-
On or before 15 December 2004 <i>(paid, issued)</i>	50,000	50,000	150,000
On or before 15 December 2005 <i>(paid, issued)</i>	50,000	50,000	150,000
On or before 15 December 2006 <i>(i)</i>	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 share issuances and cash payments required to date and has satisfied all exploration expenditure requirements under the agreement.

(i) The Company has issued 50,000 shares and paid US\$50,000 in trust to the optionors pending transfer of the title to the property to the Company.

b) Liquidi Malguem Property, Burkina Faso, West Africa

The Company acquired an 80% interest in the Liquidi Malguem property located in Burkina Faso, West Africa by completing cash payments of US\$95,000 to the optionors and incurring minimum exploration expenditures of US\$210,000. The Company and the optionor are currently negotiating the terms of a joint venture as provided for in the option agreement.

c) Bissa Area Properties, Burkina Faso, West Africa

Bissa East: The Company has entered into an option agreement to acquire a 90% interest in the Tangapella and Sebila properties in the Bissa area of Burkina Faso. The agreement calls for cash payments and exploration expenditures as follows:

	Cash Payment U.S. Funds	Exploration Expenditures
Upon signing of the agreement <i>(paid)</i>	\$ 50,000	\$ -
On or before 5 June 2007 <i>(completed)</i>	-	290,000
On or before 9 March 2007 <i>(paid)</i>	30,000	-
On or before 9 March 2008	30,000	-
On or before 9 March 2009	30,000	-
	\$ 140,000	\$ 290,000

Notes to Interim Financial Statements

31 July 2007

Canadian Funds

Unaudited

4. Resource Properties - continued

c) Bissa Area Properties, Burkina Faso, West Africa - continued

The Company has also acquired government exploration permits for the Biliga and Malgtaba properties located adjacent to the Tangapella and Sebila properties.

Bissa West: The Company has acquired government exploration permits for the Bissiga and Pella properties and has entered into an option agreement to acquire a 90% interest in the Bouboulou property, which is located adjacent to the Bissiga property. The Bouboulou agreement calls for the Company to incur exploration expenditures of \$125,000 by 28 July 2009, \$50,000 of which is a firm commitment and must be incurred by 28 July 2007 (incurred).

d) Other Properties, Burkina Faso, West Africa

The Company has acquired government exploration permits granting the Company a 100% interest in the Solna, Kao, Yaramoko, Yantara, and Teyango properties located in Burkina Faso. The Company has also incurred costs on exploring additional properties in West Africa, the costs for which are being carried as Other Properties until such time as significant costs are expended on a specific property.

In addition, the Company has signed an option agreement to acquire a 90% interest in the Tao property. The agreement calls for cash payments and exploration expenditures as follows:

	Cash Payment U.S. Funds	Exploration Expenditures
Upon signing of the agreement (<i>paid</i>)	\$ 42,000	\$ -
On or before 19 October 2007 (<i>completed</i>)	-	110,000
On or before 9 April 2007 (<i>paid</i>)	30,000	-
On or before 9 April 2008	30,000	-
On or before 9 April 2009	30,000	-
	\$ 132,000	\$ 110,000

e) Details of cumulative expenditures are as follows:

	Acquisition	Exploration	31 July 2007	31 October 2006
Rambo	\$ 339,908	\$ 1,989,232	\$ 2,329,140	\$ 2,249,768
Liguidi Malguem	114,505	872,839	987,344	927,037
Solna	-	318,921	318,921	309,048
Kao	-	936,463	936,463	492,845
Yaramoko	-	257,362	257,362	195,616
Tao	82,653	263,244	345,897	271,959
Yantara	-	38,245	38,245	5,895
Teyango	-	42,139	42,139	4,418
Bissa East	91,740	1,346,266	1,438,006	657,656
Bissa West	-	449,765	449,765	95,765
Other properties	9,096	4,590	13,686	9,396
	\$ 637,902	\$ 6,519,066	\$ 7,156,968	\$ 5,219,403

All Burkina Faso properties are subject to a standard government 10% carried production interest.

Notes to Interim Financial Statements

31 July 2007

Canadian Funds

Unaudited

5. Plant and Equipment

Details are as follows:

	Cost	Accumulated Amortization	31 July 2007	31 October 2006
Computer equipment	\$ 27,752	\$ 7,581	\$ 20,171	\$ 10,437

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 2007		31 July 2006	
	Shares	Amount	Shares	Amount
Balance - beginning of period	28,524,905	\$ 8,413,817	16,991,270	\$ 4,660,254
Private placement (i)	1,000,000	290,000	-	-
Private placement (ii)	1,050,000	325,500	-	-
Private placement (iii)	1,000,000	340,000	-	-
Private placement (iv)	-	-	2,325,000	465,000
Private placement (v)	-	-	8,212,500	3,285,000
Share issuance costs	-	(11,235)	-	(338,635)
Property option payment (Note 4a)	50,000	15,000	50,000	27,500
Shares issued for loan bonus (Note 10)	-	-	90,000	18,000
Exercise of options	75,625	20,206	-	-
Exercise of warrants	37,500	11,250	856,135	292,097
Fair value of options exercised (Note 6b)	-	11,910	-	-
Balance - end of period	31,738,030	\$ 9,416,448	28,524,905	\$ 8,409,216

During the period, the Company announced its intention to raise \$2,025,000 through a private placement, for which subscriptions totalling \$1,390,020 were received prior to 31 July 2007. This amount has been presented in these financial statements as a current liability, and will be reclassified to share capital upon completion of the private placement (Note 12).

(i) During the period, the Company completed a non-brokered private placement of 1,000,000 units at a price of \$0.29 for gross proceeds of \$290,000. Each unit consists of one common share and one-half of one share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.35 until 19 December 2007.

(ii) During the period, the Company completed a non-brokered private placement of 1,050,000 units at a price of \$0.31 for gross proceeds of \$325,500. Each unit consists of one common share and one-half of one share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.37 until 12 January 2008.

(iii) During the period, the Company completed a non-brokered private placement of 1,000,000 units at a price of \$0.34 for gross proceeds of \$340,000. Each unit consists of one common share and one-half of one share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.40 until 12 March 2008.

Notes to Interim Financial Statements

31 July 2007

Canadian Funds

Unaudited

6. Share Capital - continued

a) Share issuance details - continued

(iv) During the prior period, the Company completed a non-brokered private placement of 2,325,000 units at a price of \$0.20 for gross proceeds of \$465,000. Each unit consists of one common share and one-half of one share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.30 until 2 February 2007.

(v) During the prior period, the Company completed a brokered private placement of 8,212,500 units of the Company at a price of \$0.40 per unit for gross proceeds of \$3,285,000. Each unit consists of one common share of the Company and one-half of one share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share of the Company for a price of \$0.55 per share until November 4, 2007. The agent received a cash commission of 6.5% and compensation warrants equal to 7% of the number of units sold. Each compensation warrant entitles the agent to purchase one common share of the Company at a price of \$0.40 until November 4, 2007.

b) Contributed Surplus

Details are as follows:

	2007	2006
Balance - beginning of period	\$ 856,143	\$ 654,300
Stock-based compensation (Note 6f)	220,994	125,247
Fair value of stock options exercised in period (Note 6f)	(11,910)	-
Balance - end of period	\$ 1,065,227	\$ 779,547

c) As at 31 July 2007, there were nil (2006 - 184,906) shares held in escrow, which were released over time according to TSX Venture Exchange policy.

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

2007	2006	Exercise Price	Expiry Date
-	1,162,500	\$ 0.30	2 February 2007
4,106,250	4,106,250	\$ 0.55	4 November 2007
574,875	574,875	\$ 0.40	4 November 2007
500,000	-	\$ 0.35	19 December 2007
525,000	-	\$ 0.37	12 January 2008
500,000	-	\$ 0.40	12 March 2008
<u>6,206,125</u>	<u>5,843,625</u>		

e) Details of stock option activities are as follows:

	2007	2006
Balance - beginning of period	3,515,000	2,090,000
Granted	1,355,000	950,000
Exercised	(75,625)	-
Expired	(9,375)	(400,000)
Balance - end of period	<u>4,785,000</u>	<u>2,640,000</u>

Notes to Interim Financial Statements

31 July 2007

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6. Share Capital - continuede) *continued*

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

Grant Date	2007	2006	Exercise Price	Expiry Date
19 August 2003	485,000	505,000	\$ 0.14	19 August 2008
12 January 2004	345,000	345,000	\$ 0.40	12 January 2009
5 May 2004	580,000	605,000	\$ 0.38	5 May 2009
1 September 2004	50,000	100,000	\$ 0.32	1 September 2009
13 April 2005	75,000	75,000	\$ 0.40	13 April 2010
28 September 2005	60,000	60,000	\$ 0.35	28 September 2010
26 January 2006	500,000	500,000	\$ 0.26	26 January 2011
27 February 2006	250,000	250,000	\$ 0.34	27 February 2011
18 April 2006	200,000	200,000	\$ 0.42	18 April 2011
13 October 2006	885,000	-	\$ 0.25	13 October 2011
1 July 2007	150,000	-	\$ 0.275	30 June 2012
9 July 2007	1,205,000	-	\$ 0.28	8 July 2012
	<u>4,785,000</u>	<u>2,640,000</u>		

The outstanding options have a weighted average exercise price of \$0.32 and a weighted-average remaining life of 3.41 years. As at 31 July 2007, 3,341,250 (2006 – 2,037,500) of these options had vested.

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:

	2007	2006
Total options granted	<u>1,355,000</u>	<u>950,000</u>
Average exercise price	\$ 0.28	\$ 0.31
Estimated fair value of compensation	\$ 276,822	\$ 207,795
Estimated fair value per option	\$ 0.20	\$ 0.22

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:

	2007	2006
Risk-free interest rate	<u>4.67%</u>	<u>4.03%</u>
Expected dividend yield	0.00%	0.00%
Expected stock price volatility	91.78%	100.00%
Expected option life in years	<u>5.00</u>	<u>4.47</u>

Notes to Interim Financial Statements

31 July 2007

Canadian Funds

Unaudited

6. Share Capital - continued

f) Stock-Based Compensation - continued

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

	<u>2007</u>		<u>2006</u>
Number of options vested in period	1,043,750		953,125
Stock-based compensation expense	\$ 220,994	\$	125,071
Capitalized to mineral properties	-		176
Total compensation recognized for the period	220,994		125,247
Transfer to share capital – options exercised (i)	(11,910)		-
Net addition to contributed surplus for the period	\$ 209,084	\$	125,247

(i) During the period, 75,625 options (2006 – nil) were exercised for which the related fair value has been recorded as share capital in these financial statements.

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.

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 - \$72,000 (2006 - \$72,000).
- b) Fees for office rent and services paid to a company with directors in common - \$36,000 (2006 - \$36,000).
- c) Graphic design and drafting fees paid to parties related to directors - \$1,920 (2006 - \$2,200).

The above transactions were conducted in the normal course of operations and were measured at the exchange amount, which is the amount of consideration agreed upon between the Company and the related parties.

Notes to Interim Financial Statements**31 July 2007**

Canadian Funds

Unaudited

8. Income Taxes

The Company has various non-capital tax losses and deferred exploration expenditures that are available for carry forward to reduce taxable income of future years. Details of income tax expense for the period ended July 31 are as follows:

	<u>2007</u>	<u>2006</u>
Loss before income taxes for accounting purposes	\$ (733,680)	\$ (483,086)
Adjustments for differences between accounting and taxable income:		
Amortization	3,375	2,390
Stock-based compensation	220,994	125,071
Non-deductible and other items	(81,141)	9,373
Consolidated loss for tax purposes	<u>(590,452)</u>	<u>(346,252)</u>
Statutory tax rate	<u>34.1%</u>	<u>34.1%</u>
Expected tax recovery for the period	(201,344)	(118,072)
Increase (decrease) in taxes due to:		
Current valuation allowance	201,344	118,072
Tax recovery for the period	<u>\$ -</u>	<u>\$ -</u>

Future income taxes reflect the net effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The significant components of the Company's future income tax assets as at October 31, 2006 are as follows:

Non-capital loss carry-forwards	\$ 483,424
Mineral property expenditures	1,905,513
Plant and equipment	<u>4,993</u>
	2,393,930
Valuation allowance	<u>(2,393,930)</u>
	<u>\$ -</u>

As at 31 October 2006, the Company had non-capital loss carry-forwards that expire as follows:

Year of Expiry	Amount
2007	\$ 13,000
2008	94,000
2009	118,000
2010	116,000
2014	239,000
2015	381,000
2016	<u>456,000</u>
	<u>\$ 1,417,000</u>

Notes to Interim Financial Statements

31 July 2007

Canadian Funds

Unaudited

8. Income Taxes – continued

The Company also had approximately \$5,588,000 of resource related expenditures as at 31 October 2006 that may be carried forward indefinitely and used to reduce prescribed taxable income in future years.

9. 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.

10. Loan Payable

During the prior period, the Company arranged a \$90,000 bridge financing loan from a director and parties related to directors to fund short-term working capital needs. The loan carried interest at 6% per annum and was repaid on 19 May 2006. The Company also issued 90,000 bonus shares at a value of \$0.20 per share in consideration of the loan (*Note 6a*).

11. 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 2007		
	Canada	Burkina Faso	Total
Assets	\$ 1,467,797	\$ 7,188,756	\$ 8,656,553

	31 July 2006		
	Canada	Burkina Faso	Total
Assets	\$ 2,182,394	\$ 4,702,586	\$ 6,884,980

12. Subsequent Event

Subsequent to 31 July 2007, the Company completed a non-brokered private placement of 8,100,000 units at a price of \$0.25 per unit for gross proceeds of \$2,025,000. Each unit consists of one common share and one-half of one warrant, each whole warrant entitling the holder to purchase one additional common share of the Company at a price of \$0.35 until August 14, 2008. The Company paid finders' fees of \$2,500 and 330,000 units with the same terms as the private placement units.

RIVERSTONE RESOURCES INC.
Report to Shareholders and
Management Discussion and Analysis
of the Financial Position and Results of Operations
for the Nine Months Ended July 31, 2007

September 24, 2007

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 nine months ended July 31, 2007. 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 July 31, 2007 unaudited financial statements and the audited annual financial statements for the year ended October 31, 2006 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 filings, available for viewing at www.sedar.com. A copy of this MD&A will be provided to any applicant upon request.

GENERAL

Riverstone is a mineral exploration company that has interests in 15 mineral permits in Burkina Faso, West Africa. Six of the Company's permits are subject to option agreements, two of which have net smelter return royalties. 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 ("Ligidi"), Solna, Kao, Yaramoko, Biliga, Malgtaba, Bissiga, Pella, Tao, Tangapella, Sebila, Bouboulou, Teyango, and Yantara gold properties are the exploration properties held by the Company. These properties are located in Proterozoic Birimian greenstone sequences that host most of the major gold deposits in West Africa. In addition, the Company is actively seeking additional properties for acquisition, exploration and development.

SIGNIFICANT EVENTS AND TRANSACTIONS

During the period, the Company completed three non-brokered private placements raising total gross proceeds of \$955,500. The Company incurred costs of approximately \$1,938,000 on its Burkina Faso mineral properties during the period.

Subsequent to July 31, 2007, the Company completed an additional non-brokered private placement for gross proceeds of \$2,025,000 (see *Subsequent Events*).

MINERAL EXPLORATION

Kao Permit

The Kao permit is contiguous with the south side of the Rambo permit. Work completed in 2006 on this permit comprised grid soil sampling, rock sampling and rotary air blast ("RAB") drilling. Soil sampling in areas of new artisanal workings outlined one very strong gold anomaly, with dimensions of about 1 kilometre by 2 kilometres within the +10 parts per billion ("ppb") gold contour. Two other slightly smaller

anomalies were delineated elsewhere on the permit. Several rock samples collected from scattered areas of artisanal workings returned very encouraging gold values.

Two separate RAB drilling programs comprising 7,000 metres were completed in 2006. This drilling outlined four separate zones grading greater than 1 gram per tonne ("g/t") gold, that are 200 to 400 metres in length and 50 to 100 metres in width within a much larger, lower grade mineralized envelope. These zones were tested with 2,200 metres of reverse circulation ("RC") drilling during the first quarter. The RC drilling has confirmed that the higher grade zones extend to depth, and the results are highly encouraging. A second phase of RC drilling comprising 2,096 metres was completed in July 2007. The results of the drilling confirm that the gold zones are at or near surface, and that they can be traced over a minimum 300 metre strike length and over a width of a least 300 metres. A third phase of RC drilling will be carried out in October 2007.

Bissa Area Permits

The Company holds seven permits in the active Bissa area located in north-central Burkina Faso. All seven permits were acquired in the early part of 2006. Four of the Company's permits are adjacent to High River Gold's Bissa project. High River has announced an independent resource estimate for the Bissa project of 662,250 ounces of gold in the measured and indicated categories and 679,470 ounces in the inferred category (see High River news release May 23, 2006).

High River's Bissa deposits are located within the Sabcé Shear Zone, which trends north-easterly through their property. The Company's Bissa East permits (Tangapella, Sebila, Malgtaba and Billiga) cover portions of the north-easterly trending Sabcé Shear Zone, plus two parallel shear zones to the north and south of the Sabcé. A work program comprising regional and detailed soil sampling, reconnaissance mapping and 3,071 metres of RAB drilling were completed on the Bissa East permits during 2006. Numerous gold-in-soil anomalies were defined and several significant gold intervals were intersected in the RAB drilling. During the first quarter of 2007, 3,714 additional metres of RAB drilling and 1,884 metres of RC drilling were completed on the Bissa East permits. The drilling has defined two gold-bearing structures on each of the Tangapella and Biliga permits.

The Company's Bissa West permits (Bissiga, Pella and Bouboulou) are located to the southwest of High River's Bissa project. A work program comprising regional soil sampling was carried out on the project area in 2006. Several gold-in-soil anomalies were defined which were followed up in 2007 with further sampling and mapping. Geological mapping, rock sampling and 5,600 metres of RAB drilling were carried out during the first quarter. Several gold-bearing zones have been identified, and RC drilling is planned in the first quarter of 2008.

Yaramoko Permit

This permit is located approximately 200 kilometres west-southwest of Ouagadougou, the capital of Burkina Faso. The permit's northern boundary adjoins SEMAFO's Mana permit where a production decision has recently been announced on a gold reserve of 1 million ounces. Previous work on Yaramoko has included mapping, soil sampling, prospecting and rock sampling. Several rock samples from scattered areas on the permit returned significant results, including 16 samples with values ranging from 1.0 g/t to 11.9 g/t gold. Soil sampling in the area of recent artisanal workings has outlined several gold in soil anomalies, with many values exceeding 100 ppb gold. The largest of these anomalous areas measures about 500 metres by 3.5 kilometres long and covers an area with numerous active workings. The Company is currently completing additional mapping and rock sampling, and plans to RC drill several targets in the fourth quarter of 2007.

Liguidi Malguem Permit

The Company has acquired an 80% interest in the Liguidi Malguem mineral permit in Burkina Faso. The permit covers an area of 225 square kilometres and is located 125 kilometres southeast of Ouagadougou and 50 kilometres southeast of the Bomboré property presently being explored by Orezone Resources

Inc. The Company has completed a geochemical survey over most of the property together with a program of geological mapping and rock sampling which has confirmed an extensive area with gold values in soils generally over 15 ppb, covering an area approximately 13 kilometres by 3 kilometres.

The 2006 program consisted of rock sampling and geological mapping. An extensive rock sampling program was undertaken over a 1.5 kilometre by 200 metre area within a quartz boulder field within one of the geochemical soil anomalies. An additional 340 samples were taken elsewhere on the property, both from surface outcrop and trenches. The assay results from this program are encouraging. A program of additional rock sampling and geophysical surveying is planned for this permit during the fourth quarter of 2007.

Rambo Permit

The Rambo permit is located in the north-central part of Burkina Faso and is contiguous with Golden Star Resource's Goulagou project, and the Company's Kao permit. The permit comprises 150 square kilometres and covers six known areas of artisanal workings. The main Rambo artisanal pit consists of a 60 metre by 40 metre oval pit, which is about 15 metres deep.

Drilling by the Company in 2003 and 2004 identified a gold-bearing shoot within a sulphide-bearing structure. Other work completed to date on the Rambo permit has also included prospecting and rock sampling in several new artisanal sites.

There was no field work conducted in the current period, however, RAB drilling is planned for early 2008.

Tao Permit

The Tao permit adjoins the Essakane project on its southern boundary. The Essakane project is a joint venture between Orezone Resources Inc. and Gold Fields Limited. Orezone recently announced that Gold Fields has approved a US\$9.3 million budget to complete a pre-feasibility study.

Riverstone completed a 4,358 metre RAB drilling program over two separate geochemical soil anomalies during July of 2006, plus limited mapping and rock sampling. Results from this program are encouraging and RC drilling will be carried out in 2008 to further evaluate this property.

Solna Area Permits

The Solna Permit, covering approximately 160 square kilometres, is located in eastern Burkina Faso about 250 kilometres north-east of Ouagadougou. Gold mineralization is hosted in a zone of quartz and quartz-tourmaline veins cutting foliated and sheared rocks of the Sebba greenstone belt. Solna is approximately 75 kilometres west of the producing Samira Hill gold mine of Etruscan Resources where a resource of 2 million ounces of gold has been announced.

No work at Solna was completed in the current period. Two newly acquired permits adjoin Solna to the northeast. The Company has begun regional soil geochemistry and mapping programs on these permits, and results are pending.

RESULTS OF OPERATIONS

The loss for the nine-month period was \$733,680, which compares to a loss of \$483,086 for the same period of the previous year. Significant items comprising the current loss include \$72,000 in administration and management fees, \$89,361 in professional fees, \$77,505 for promotion and public relations, \$36,000 for rent and office services, \$86,540 in salaries and wages, \$220,994 in stock-based compensation, a non-cash item, and \$73,325 in travel and accommodation. Cash flows used in

operations, before changes in non-cash working capital items, totalled \$509,311 compared to cash of \$337,625 used in operations in the comparative period.

Compared to the prior period, general and administrative costs, net of non-cash stock-based compensation, increased to \$535,176 from \$373,353. The rise in costs is primarily due to increases in promotion and public relations costs, and travel costs relating to the Company's equity raising efforts and attendance at the Indaba Conference in South Africa. In addition, the Company had salary costs during the current period due to the hiring of a full-time exploration manager in July 2006 to manage its increasing activities in Burkina Faso. The Company received interest income of \$22,490 due to the increase in cash resulting from its financings.

During the period, the Company incurred general exploration costs of \$26,788 on prospects in West Africa and direct resource property costs of \$1,937,565 as a result of exploration work completed on its Burkina Faso properties. This compares to \$1,242,906 of direct costs incurred in the same period of the prior year.

SUMMARY OF QUARTERLY RESULTS

Financial Data for the Last Eight Quarters

Three Months Ended	Jul-07	Apr-07	Jan-07	Oct-06	Jul-06	Apr-06	Jan-06	Oct-05
Total Revenues	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil
Loss before stock-based compensation	\$169,117	\$177,323	\$166,246	\$113,845	\$171,159	\$101,281	\$85,575	\$71,722
Loss for the period	\$293,217	\$225,212	\$215,251	\$190,441	\$201,624	\$158,534	\$122,928	\$116,744
Loss per share	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01

The Company's administrative expenses have increased since mid-2006 when the Company began major exploration programs in Burkina Faso. The Company hired a full-time exploration manager in July 2006. The quarterly losses presented (before stock-based compensation) reflect this increasing level of activity. Stock-based compensation is recognized as stock options vest, which varies due to the timing of the vesting provisions of the various stock option grants that the Company has made. The increase in the loss for the quarter ended July 31, 2006 is due to an increase in professional fees, promotion and public relations costs, and travel costs relating to the financings that occurred during this quarter. The Company also incurred \$16,785 in general exploration costs and \$18,651 in interest and financing costs during the same quarter.

Cash flows used in operations, before changes in non-cash working capital items, also reflect the increasing costs of managing the Company's many projects in Burkina Faso, averaging approximately \$113,000 per quarter for fiscal 2006, and approximately \$170,000 for the first three quarters of fiscal 2007.

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 period under review, the Company had negative working capital of \$241,022 compared to working capital of \$1,228,242 at October 31, 2006. The decrease in working capital for the period results from cash used in operating activities (\$509,311) and investing activities (\$1,935,674) outweighing cash provided by equity financing activities (\$975,721) during the period. The Company received cash of \$1,390,020 in July 2007 for share subscriptions on its recent private placement (see *Subsequent Events*). This amount has been classified as a current liability and, therefore, is included in the calculation of working capital. Upon closing of the private placement, this amount was transferred to share capital, and the Company's working capital increased by the same amount.

At July 31, 2007, the Company had cash on hand of \$1,398,556 compared to \$1,379,694 at October 31, 2006. With the closing of the private placement on August 17, 2007, the Company's current working capital position is considered sufficient to meet its ongoing operations for the ensuing year.

CAPITAL RESOURCES AND COMMITMENTS

The Company has cash payment, share issuance and mineral expenditure requirements under its Rambo property agreement. Terms of the agreement require cash payments totalling US\$240,000 and the issuance to the vendors of a total of 250,000 common shares of the Company over a period of four years, with a work commitment totalling US\$500,000 over a period of three years. As at July 31, 2007, the Company had satisfied the entire exploration expenditure requirement on the property. To earn its interest in the property, the Company must make the remaining scheduled cash payment of US\$50,000 and issue 50,000 shares before December 15, 2007.

The Company has cash payment and mineral expenditure requirements under its Tangapella/Sebila property agreement. This agreement calls for cash payments totalling US\$140,000 and requires the Company to incur exploration expenditures of approximately \$290,000 in the first year. The Company had satisfied the first year exploration expenditure requirement and completed US\$70,000 of the cash payments by July 31, 2007.

Similarly, the Company has cash payment and mineral expenditure requirements under its Tao property agreement. This agreement calls for cash payments totalling US\$132,000 and requires the Company to incur exploration expenditures of approximately \$110,000 in the first year. The Company had satisfied the first year exploration expenditure requirement and completed US\$72,000 of the cash payments by July 31, 2007.

The Company has signed an option agreement to acquire a 90% interest in the Bouboulou property, which requires the Company to incur \$125,000 in exploration expenditures, \$50,000 of which are a firm commitment and had been incurred by July 31, 2007.

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 currently has sufficient capital to meet its ongoing exploration and overhead requirements for the ensuing year. 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 July 31, 2007 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 \$72,000 (2006 - \$72,000) paid to directors of the Company, and rent and office services of \$36,000 (2006 - \$36,000) paid to a company with which the company shares directors in common.

CHANGES IN ACCOUNTING POLICIES

There were no changes in existing accounting policies in the period under review, however, effective November 1, 2006, the Company adopted the recommendations of CICA Handbook Section 3855, *Financial Instruments – Recognition and Measurement*, Section 1530, *Comprehensive Income* and Section 3865, *Hedges*. These sections provide guidance on the recognition and valuation of certain types of financial instruments. There is no effect on prior periods as a result of adopting these new standards.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities, and subscriptions received. 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, Riverstone has no source of operating revenue. The Company's July 31, 2007 unaudited financial statements provide a breakdown of the general and administrative expenses for the period under review (Statement 2) and an analysis of the capitalized and expensed exploration and development costs incurred on its mineral properties (Schedule and Note 4e).

OUTSTANDING SHARES

As at July 31, 2007, the Company had 31,738,030 (diluted – 42,729,155) common shares issued and outstanding versus 28,524,905 (diluted – 37,883,530) at October 31, 2006.

The increase in the number of issued shares for the period is due to the issuance of 3,050,000 shares under three non-brokered private placements, 75,625 shares upon the exercise of stock options, 37,500 shares upon the exercise of warrants, and 50,000 shares under the Rambo option agreement (see *Mineral Exploration*). The increase in the number of diluted shares since October 31, 2006 also includes the issuance of 1,525,000 warrants under the non-brokered private placements, the expiry of 1,125,000 warrants issued under a private placements completed in the prior year, the granting of 1,355,000 stock options, and the expiry of 9,375 stock options.

Subsequent to July 31, 2007, the Company completed a private placement (see *Subsequent Events*) of 8,100,000 units (8,100,000 shares and 4,050,000 whole warrants) and issued as finders' fees 330,000 units (330,000 shares and 165,000 whole warrants) resulting in issued and outstanding shares at the date hereof of 40,168,030 (diluted – 55,374,155).

SUBSEQUENT EVENTS

On August 17, 2007, the Company completed a non-brokered private placement consisting of 8,100,000 units at a price of \$0.25 for total gross proceeds of \$2,025,000. Each unit consists of one common share of the Company, and one half of one warrant. Each whole warrant entitles the holder to purchase one additional share of the Company for a price of \$0.35 until August 14, 2008. The Company paid finders' fees of \$2,500 and 330,000 units with the same terms as the private placement units.

INVESTOR RELATIONS ACTIVITIES

With respect to public relations, the Company provides information from its corporate offices to investors and brokers directly. In addition, Mr. Ron Cooper provides the Company with investor relations services

on a month to month basis and the Company has entered into a four month agreement with Mau Capital Management for certain investor relations services commencing July 1, 2007.

MANAGEMENT

Riverstone is 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.

DISCLOSURE CONTROLS AND PROCEDURES

The Company has established disclosure controls and procedures to ensure that information disclosed in this MD&A and the related financial statements was properly recorded, processed, summarized and reported to the Company's Board and Audit Committee. The Chief Executive Officer (CEO) and Chief Financial Officer (CFO) of the Company evaluated the disclosure controls and procedures for the fiscal year ended October 31, 2006. They were satisfied that the Company's disclosure controls and procedures were effective in providing reasonable assurance that material information was made known to them on a timely basis.

It should be noted that while the Company's CEO and CFO believe that the Company's disclosure controls and procedures provide a reasonable level of assurance and that they are effective, they do not expect that the disclosure controls and procedures will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

The Company continues to refine its disclosure controls and procedures from time to time, and the CEO and CFO have concluded that, during the period, the process effectively ensured that material information was accumulated and communicated to management in sufficient time for management to make decisions regarding the Company's disclosure required by securities legislation.

INTERNAL CONTROLS AND PROCEDURES

The CEO and CFO of the Company acknowledge that they are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. As at the end of the period covered by this management's discussion and analysis, management had designed and implemented internal controls and procedures as required by Canadian securities laws.

The Company evaluated the design of its internal controls and procedures over financial reporting for the fiscal year ended October 31, 2006. No material weaknesses in the design were identified. While management continues to review and refine its internal controls and procedures, there have been no changes in the Company's internal control procedures over financial reporting that occurred during the current quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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.

FORWARD-LOOKING STATEMENTS

Certain statements made and information contained in this MD&A and elsewhere constitute "forward-looking information" within the meaning of the Ontario Securities Act. Forward-looking statements are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking statements, including, without limitation, risks and uncertainties relating to the interpretation of drill results and the estimation of mineral resources, the geology, grade and continuity of mineral deposits, the possibility that future exploration, development results will not be consistent with the Company's expectations, accidents, equipment breakdowns, title matters and surface access, labour disputes, the potential for delays in exploration activities, the potential for unexpected costs and expenses, commodity price fluctuations, currency fluctuations, failure to obtain adequate financing on a timely basis and other risks and uncertainties, including those described under Risk Factors in each management discussion and analysis. In addition, forward-looking information is based on various assumptions including, without limitation, the expectations and beliefs of management, the assumed long term price of gold, that the Company will receive required permits and access to surface rights, that the Company can access financing, appropriate equipment and sufficient labour and that the political environment within Burkina Faso will continue to support the development of environmentally safe mining projects. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements. Accordingly, readers are advised not to place undue reliance on forward-looking statements.

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