

RIVERSTONE RESOURCES INC.

**#906-595 Howe Street,
Vancouver, B.C. V6C 2T5
Tel: 604-801-5020
Fax: 604-801-6075**

FINANCIAL STATEMENTS

31 OCTOBER 2007 and 2006

Auditor's Report

To the Shareholders of Riverstone Resources Inc.:

We have audited the balance sheet of Riverstone Resources Inc. (the "Company") as at October 31, 2007 and 2006 and the statements of loss, comprehensive loss and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"Signed PricewaterhouseCoopers LLP"

Chartered Accountants
Vancouver, British Columbia
January 21, 2008

Balance Sheets

As at 31 October

Canadian Funds

ASSETS	2007	2006
Current		
Cash	\$ 1,240,443	\$ 1,379,694
Accounts receivable	42,402	48,666
Prepaid expenses	117,706	31,145
	<u>1,400,551</u>	<u>1,459,505</u>
Resource Property Costs - Schedule (Note 4)	7,617,103	5,219,403
Plant and Equipment (Note 5)	22,386	10,437
	<u>\$ 9,040,040</u>	<u>\$ 6,689,345</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities		
- trade and other	\$ 267,282	\$ 229,818
- related parties	8,240	1,445
	<u>275,522</u>	<u>231,263</u>
SHAREHOLDERS' EQUITY		
Share Capital (Note 6a)	11,427,736	8,413,817
Contributed Surplus (Note 6b)	1,129,280	856,143
Deficit - Statement 2	(3,792,498)	(2,811,878)
	<u>8,764,518</u>	<u>6,458,082</u>
	<u>\$ 9,040,040</u>	<u>\$ 6,689,345</u>

Going Concern (Note 1)**Commitments (Note 9)****Subsequent Events (Note 11)**

ON BEHALF OF THE BOARD:

"Michael D. McInnis"

_____, Director

"James Robertson"

_____, Director

Statements of Loss, Comprehensive Loss and Deficit

For the Years Ended 31 October

Canadian Funds

	2007	2006
Indirect and Administrative		
Administration and management fees (Note 7a)	\$ 96,000	\$ 96,000
Amortization	5,350	3,381
Consulting fees	54,413	39,875
General exploration	27,350	16,785
Interest and financing (Note 7d)	-	20,293
Office and general	13,794	11,657
Professional	121,947	87,493
Promotion and public relations	111,144	65,123
Rent and office services (Note 7b)	48,000	48,000
Salaries and wages	116,615	55,515
Shareholder information	12,535	12,537
Stock-based compensation (Note 6f)	285,047	201,667
Stock exchange and filing fees	13,027	15,943
Transfer agent	9,699	10,039
Travel and promotion	90,532	33,590
Loss for the Year Before the Under-Noted	1,005,453	717,898
Interest income	(38,794)	(38,883)
Other income	(5,363)	-
Foreign exchange loss (gain)	5,639	(5,488)
Write-off of resource property costs	13,685	-
Loss and Comprehensive Loss for the Year	980,620	673,527
Deficit - beginning of year	2,811,878	2,138,351
Deficit - End of Year	\$ 3,792,498	\$ 2,811,878
Loss per Share - Basic and Diluted	\$ 0.03	\$ 0.03
Weighted-Average Number of Shares	32,887,532	23,307,725

Statements of Cash Flows

For the Years Ended 31 October

Canadian Funds

Cash Resources Provided By (Used In)	2007	2006
Operating Activities		
Loss for the year	\$ (980,620)	\$ (673,527)
Items not affecting cash		
Amortization	5,350	3,381
Stock-based compensation	285,047	201,667
Write-off of resource property costs	13,685	-
Shares issued for loan bonus	-	18,000
	<u>(676,538)</u>	<u>(450,479)</u>
Net change in non-cash working capital		
Accounts receivable	6,264	(10,932)
Prepaid expenses	(86,561)	(19,213)
Accounts payable and accrued liabilities		
- trade and other	56,411	(40,994)
- related parties	6,795	(52,453)
	<u>(693,629)</u>	<u>(574,071)</u>
Investing Activities		
Resource property costs	(2,395,832)	(1,846,475)
Plant and equipment	(17,299)	(4,859)
	<u>(2,413,131)</u>	<u>(1,851,334)</u>
Financing Activities		
Shares issued for cash	3,011,956	4,042,097
Share issuance costs	(44,447)	(334,034)
	<u>2,967,509</u>	<u>3,708,063</u>
Net Increase (Decrease) in Cash	(139,251)	1,282,658
Cash position - beginning of year	<u>1,379,694</u>	<u>97,036</u>
Cash Position - End of Year	\$ 1,240,443	\$ 1,379,694

Supplemental Schedule of Non-Cash Investing and Financing Transactions

Shares issued for resource properties	\$ 34,500	\$ 27,500
Shares issued for finders' fees – equity financings	\$ 82,500	\$ -
Stock-based compensation recorded for resource properties	\$ -	\$ 176
Fair value of stock options exercised	\$ 11,910	\$ -
Increase (decrease) in accounts payable – resource property costs	\$ (18,947)	\$ 40,279

Supplemental Cash Flow Information

Interest received	\$ 38,794	\$ 38,883
Interest paid	\$ -	\$ 2,293

Schedules of Resource Property Costs

For the Years Ended 31 October

Canadian Funds

	2007	2006
Burkina Faso, West Africa		
Rambo Property		
Acquisition and option payments	\$ 72,650	\$ 84,082
Camp and general	5,468	37,305
Consulting	943	1,946
Geochemical and assay	277	78
Geological	8,023	75,756
Lease, licenses and taxes	-	8,305
Local labour	-	110
Project management	105	14,147
Stock-based compensation (Note 6f)	-	176
Transportation	1,138	5,894
	88,604	227,799
Liguidi Malguem Property		
Acquisition and option payments	34,516	-
Camp and general	11,768	53,571
Consulting	378	2,053
Geochemical and assay	50	9,911
Geological	14,616	91,711
Lease, licenses and taxes	3,425	7,277
Local labour	-	626
Project management	334	9,468
Transportation	4,509	22,941
	69,596	197,558
Solna Property		
Camp and general	2,448	18,798
Consulting	-	1,196
Geochemical and assay	652	78
Geological	7,847	48,961
Lease, licenses and taxes	-	5,911
Project management	20	7,064
Transportation	1,596	890
	12,563	82,898
Kao Property		
Camp and general	164,031	74,469
Consulting	12,638	3,319
Drilling	334,229	124,435
Geochemical and assay	36,107	32,159
Geological	104,199	53,456
Geophysical	12,407	-
Lease, licenses and taxes	-	8,002
Local labour	15,801	4,423
Project management	3,140	7,429
Transportation	50,012	9,962
	732,564	317,654
Balances Carried Forward	\$ 903,327	\$ 825,909

Schedules of Resource Property Costs

For the Years Ended 31 October

Canadian Funds

	2007	2006
Balances Brought Forward	\$ 903,327	\$ 825,909
Burkina Faso, West Africa - Continued		
Yaramoko Property		
Camp and general	25,017	11,085
Consulting	1,179	1,196
Geochemical and assay	5,507	77
Geological	45,618	25,198
Lease, licenses and taxes	-	6,737
Local labour	183	-
Project management	2,001	5,351
Transportation	16,976	1,031
	96,481	50,675
Tao Property		
Acquisition and option payments	34,430	48,223
Camp and general	3,343	64,357
Consulting	182	2,123
Drilling	-	79,364
Geochemical and assay	3,804	20,277
Geological	20,993	33,796
Local labour	188	2,753
Project management	1,084	1,616
Transportation	8,053	19,450
	72,077	271,959
Yantara Property		
Camp and general	10,739	835
Consulting	802	-
Geochemical and assay	6,968	-
Geological	8,555	753
Lease, licenses and taxes	-	703
Local labour	3,015	-
Project management	-	69
Transportation	10,352	84
	40,431	2,444
Teyango Property		
Camp and general	13,796	248
Consulting	802	-
Geochemical and assay	8,895	-
Geological	11,258	-
Lease, licenses and taxes	-	675
Transportation	9,372	3
	44,123	926
Balances Carried Forward	\$ 1,156,439	\$ 1,151,913

Schedules of Resource Property Costs

For the Years Ended 31 October

Canadian Funds

	2007	2006
Balances Brought Forward	\$ 1,156,439	\$ 1,151,913
Burkina Faso, West Africa - Continued		
Bissa East Properties		
Acquisition and option payments	34,598	57,142
Camp and general	207,332	163,383
Consulting	3,805	3,149
Drilling	147,405	56,666
Geochemical and assay	115,952	183,046
Geological	190,291	106,781
Lease, licenses and taxes	-	9,577
Local labour	22,544	14,409
Project management	10,990	3,099
Transportation	113,333	60,404
	846,250	657,656
Bissa West Properties		
Camp and general	84,226	23,239
Consulting	3,030	-
Drilling	75,378	-
Geochemical and assay	41,310	14,808
Geological	120,858	22,181
Lease, licenses and taxes	3,522	10,565
Local labour	7,492	404
Project management	5,042	550
Transportation	34,897	24,018
	375,755	95,765
Other Properties		
Acquisition and option payments	-	9,096
Lease, licenses and taxes	32,941	-
	32,941	9,096
Costs for the Year	2,411,385	1,914,430
Write off of costs relating to properties not acquired	(13,685)	-
Balance - beginning of year	5,219,403	3,304,973
Balance - End of Year	\$ 7,617,103	\$ 5,219,403

Notes to Financial Statements

31 October 2007 and 2006

Canadian Funds

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 significant doubt upon the validity of this assumption. Consistent with other companies in the mining exploration industry, the Company has incurred operating losses since inception, 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 locate economically recoverable reserves, to generate profitable operations from production or from the proceeds of disposition therefrom, and/or its ability to continue to obtain additional financing to maintain operations. 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

a) Management's Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reported periods. The Company's key estimates relate to the recoverability of its resource property costs and the measurement of stock-based compensation. Actual results could differ from these estimates.

b) Loss per Share

Basic earnings (loss) per share is computed using the weighted average number of common shares outstanding during the period. The Company uses the treasury stock method to calculate diluted earnings per share, which assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings per share. The effect on loss per share of the Company's outstanding options and warrants is anti-dilutive and, therefore, basic and diluted loss per share amounts are the same.

c) Share Capital

Share capital issued for non-monetary consideration is recorded at an amount based on the quoted market value of the Company's shares at the time of issuance.

d) Stock-Based Compensation

The Company has adopted the recommendations of CICA Handbook Section 3870, *Stock-Based Compensation and Other Stock-Based Payments*, which requires that all stock-based awards be measured and recognized using a fair-value based method. The Company uses the Black-Scholes Option-Pricing Model to estimate the fair value of stock options at the time of the grant and recognizes the related compensation expense over the vesting period.

Notes to Financial Statements

31 October 2007 and 2006

Canadian Funds

2. Significant Accounting Policies - *Continued*

e) Mineral Interests

The Company follows the method of accounting for its mineral interests whereby all costs related to acquisition, exploration and development are capitalized by project. These costs will be amortized against earnings from future production or written off if the interest is abandoned or sold.

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

Ownership in mineral interests involves certain inherent risks due to the difficulties of determining and obtaining clear title to the claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral interests.

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

Management of the Company regularly reviews the net carrying value of each mineral property. Where information and conditions suggest that there has been impairment, a write-down to the estimated fair value is recorded in the statement of operations.

f) Property Option Agreements

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

g) Plant and Equipment

The Company's plant and equipment consists of computer equipment; amortization is calculated at 30% using the declining balance method.

h) Asset Retirement Obligations

The Company has adopted the recommendations of CICA Handbook Section 3110, *Asset Retirement Obligations*, which requires recognition of a liability for legal obligations relating to the retirement of property, plant, and equipment, and arising from the acquisition, construction, development, or normal operation of those assets. The liability for asset retirement obligations must be recognized at fair value in the period in which it is incurred when a reasonable estimate of fair value can be made. Such retirement costs are added to the carrying value of the asset, and amortized into income on a systematic basis over its useful life. The Company has determined that it has no asset retirement obligations at 31 October 2007.

Notes to Financial Statements

31 October 2007 and 2006

Canadian Funds

2. Significant Accounting Policies - *Continued*

i) **Environmental**

The operations of the Company may, in the future, be affected by changes in environmental regulations, including those for future reclamation and site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company vary greatly and are not predictable.

j) **Future Income Taxes**

The Company uses the asset and liability method of accounting for income taxes whereby the income tax effects of temporary differences in the time when income and expenses are recognized in accordance with Company accounting practices, and the time they are recognized for income tax purposes, are reflected as future income tax assets or liabilities. Future income tax assets and liabilities are measured using enacted or substantially enacted tax rates that are expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. The change in the net future tax asset or liability is included in income in the current year. Future tax benefits are recognized to the extent that realization of such benefits is more likely than not.

k) **Foreign Exchange**

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

l) **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 classification, recognition and measurement of financial instruments and hedges in the financial statements and the inclusion of other comprehensive income. The Company adopted these new standards with no material affect on these financial statements and with no effect on prior periods.

3. Financial Instruments

The fair value of the Company's cash, accounts receivable, and accounts payable and accrued liabilities is estimated to approximate their carrying value due to their short-term maturity or capacity of prompt liquidation. The Company maintains cash balances and has payables that are denominated in the currency of Francophone West Africa ("CFA"), which are subject to fluctuations in the exchange rate between the Canadian dollar and the CFA. 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 Financial Statements

31 October 2007 and 2006

Canadian Funds

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 ("NSR"). 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 <i>(Note 11)</i>	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 for the benefit of the optionors pending transfer of the title to the property to the Company.

b) Liguidi Malguem Property, Burkina Faso, West Africa

The Company acquired an 80% interest in the Liguidi 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 Financial Statements

31 October 2007 and 2006

Canadian Funds

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) **Goulagou and Rounga Properties, Burkina Faso, West Africa**

During the year, the Company entered into a letter agreement ("LA") with Golden Star Resources Ltd. ("Golden Star"), which grants the Company the option to acquire a 90% interest in the Goulagou and Rounga properties located adjacent to the Company's Rambo and Kao properties. The LA is subject to a definitive agreement being signed prior to 31 December 2007 (*Note 11*). To exercise its option, the Company must issue 2,000,000 warrants, 2,000,000 shares, incur \$4,000,000 in exploration expenditures, and pay US\$18,600,000 in cash, shares, or a combination thereof, at the Company's option, within four years of the signing of the definitive agreement.

The 2,000,000 warrants are issuable upon signing of the LA and will be exercisable at any time for up to four years from the date of the LA at a price of \$0.30 in the first year, \$0.35 in the second year, \$0.40 in the third year, and \$0.45 in the fourth year (*Note 11*).

The share issuances and exploration expenditures are required as follows:

	Shares	Exploration Expenditures
Upon signing of the LA (<i>Note 11</i>)	300,000	\$ -
On or before first anniversary	400,000	500,000
On or before second anniversary	600,000	750,000
On or before third anniversary	700,000	1,250,000
On or before fourth anniversary	-	1,500,000
	2,000,000	\$ 4,000,000

Golden Star retains an NSR of between 0% and 2% depending on the quantity of gold produced.

The Company can increase its interest to 100% by paying a third party US\$1,000,000 on or before 12 months after the first production of gold from the properties. Thereafter, the third party will retain a 5% net profits interest, which can be purchased by the Company for US\$500,000.

Upon execution of the definitive agreement, the Company will pay a finder's fee to an arm's length party of \$45,000 and 150,000 shares.

Notes to Financial Statements

31 October 2007 and 2006

Canadian Funds

4. Resource Properties - Continued

e) 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 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

f) Details of cumulative expenditures are as follows:

	Acquisition	Exploration	2007	2006
Rambo	\$ 339,908	\$ 1,998,464	\$ 2,338,372	\$ 2,249,768
Liguidi Malguem	114,505	882,128	996,633	927,037
Solna	-	321,611	321,611	309,048
Kao	-	1,225,409	1,225,409	492,845
Yaramoko	-	292,097	292,097	195,616
Tao	82,653	261,383	344,036	271,959
Yantara	-	46,326	46,326	5,895
Teyango	-	48,541	48,541	4,418
Bissa East	91,740	1,412,166	1,503,906	657,656
Bissa West	-	471,520	471,520	95,765
Goulagou	-	28,652	28,652	-
Other properties	-	-	-	9,396
	\$ 628,806	\$ 6,988,297	\$ 7,617,103	\$ 5,219,403

All Burkina Faso properties are subject to a standard government 10% carried production interest. As at 31 October 2007, the Company has investigated the ownership of its mineral interests and, to the best of its knowledge, ownership of its interests is in good standing.

5. Plant and Equipment

Details are as follows:

	Cost	Accumulated Amortization	2007 Net Book Value	2006 Net Book Value
Computer equipment	\$ 31,942	\$ 9,556	\$ 22,386	\$ 10,437

Notes to Financial Statements

31 October 2007 and 2006

Canadian Funds

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:

	2007		2006	
	Shares	Amount	Shares	Amount
Balance - beginning of year	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)	8,100,000	2,025,000	-	-
Shares issued for finders' fees (iv)	330,000	82,500	-	-
Private placement (v)	-	-	2,325,000	465,000
Private placement (vi)	-	-	8,212,500	3,285,000
Share issuance costs	-	(126,947)	-	(334,034)
Shares issued for property (Note 4a)	50,000	15,000	50,000	27,500
Shares issued for loan bonus (Note 7d)	-	-	90,000	18,000
Shares issued for consulting fee	75,000	19,500	-	-
Shares issued on exercise of warrants	37,500	11,250	856,135	292,097
Shares issued on exercise of options	75,625	20,206	-	-
Fair value of options exercised (Note 6b)	-	11,910	-	-
Balance - end of year	40,243,030	\$ 11,427,736	28,524,905	\$ 8,413,817

(i) During the year, 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 year, 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 10 January 2008.

(iii) During the year, 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 Financial Statements

31 October 2007 and 2006

Canadian Funds

6. Share Capital - Continued

a) *Continued*

(iv) During the year, the Company completed a non-brokered private placement of 8,100,000 units at a price of \$0.25 for gross proceeds of \$ 2,025,000. 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 14 August 2008. The Company issued 330,000 units, with the same terms as the private placement units, and paid \$2,500 as finders' fees. The Company also paid legal and filing costs of \$30,712 in respect of this private placement.

(v) During the prior year, 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 consisted of one common share and one-half of one share purchase warrant. Each whole warrant entitled the holder to purchase one additional common share of the Company at a price of \$0.30 until 2 February 2007.

(vi) During the prior year, the Company completed a brokered private placement of 8,212,500 units at a price of \$0.40 per unit for gross proceeds of \$3,285,000. Each unit consisted 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 \$0.55 per share until November 4, 2007. The agent received a cash commission of 6.5% and 574,875 compensation warrants. 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 year	\$ 856,143	\$ 654,300
Stock-based compensation (<i>Note 6f</i>)	285,047	201,843
Fair value of stock options exercised (<i>Note 6f</i>)	(11,910)	-
Balance - end of year	<u>\$ 1,129,280</u>	<u>\$ 856,143</u>

c) As at 31 October 2007, there were nil (2006 - 92,453) shares held in escrow, which are being released to directors of the Company over time according to TSX Venture Exchange policy.

d) Details of share purchase warrant activities are as follows:

	2007	2006
Balance - beginning of year	5,843,625	2,331,137
Issued	5,740,000	5,843,625
Exercised	(37,500)	(856,135)
Expired	(1,125,000)	(1,475,002)
Balance - end of year	<u>10,421,125</u>	<u>5,843,625</u>

Notes to Financial Statements

31 October 2007 and 2006

Canadian Funds

6. Share Capital – Continued

d) Continued

As at 31 October, the Company had share purchase warrants outstanding entitling the holder to purchase common shares of the Company 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 (Note 11)
574,875	574,875	\$ 0.40	4 November 2007
500,000	-	\$ 0.35	19 December 2007
525,000	-	\$ 0.37	10 January 2008
500,000	-	\$ 0.40	12 March 2008
4,050,000	-	\$ 0.35	14 August 2008
165,000	-	\$ 0.35	14 August 2008
10,421,125	5,843,625		

e) The Company has a fixed stock option plan that provides for the issuance of up to 20% of the issued and outstanding shares of the Company. The board of directors is authorized to set the exercise price, expiry date, and vesting provisions for each grant, subject to the policies of the TSX Venture Exchange. The plan provides for a maximum grant period of five years, and minimum vesting provisions which extend over 18 months. Details of are as follows:

	2007	Weighted Average Exercise Price	2006	Weighted Average Exercise Price
Balance - beginning of year	3,515,000	\$ 0.29	2,090,000	\$ 0.32
Granted (i)	1,355,000	\$ 0.28	1,850,000	\$ 0.24
Exercised	(75,625)	\$ 0.27	-	-
Expired	(9,375)	\$ 0.25	(425,000)	\$ 0.39
Balance - end of year	4,785,000	\$ 0.29	3,515,000	\$ 0.29

As at 31 October, the Company had stock options outstanding entitling the holder to purchase common shares of the Company 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	580,000	\$ 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	900,000	\$ 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
	4,785,000	3,515,000		

The outstanding options have a weighted average remaining life of 3.16 years. As at 31 October 2007, 3,677,500 (2006 – 2,373,125) of these options have vested.

Notes to Financial Statements

31 October 2007 and 2006

Canadian Funds

f) Stock-Based Compensation

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

	2007	2006
Total options granted	1,355,000	1,850,000
Average exercise price	\$ 0.28	\$ 0.28
Estimated fair value of compensation	\$ 276,822	\$ 376,949
Estimated fair value per option	\$ 0.20	\$ 0.20

For new grants of options made during the year, 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	4.67%	4.07%
Expected dividend yield	0.00%	0.00%
Expected stock price volatility	91.78%	96.99%
Expected option life in years	5.00	5.00

The Company's stock options vest as to 25% on the date of the grant and 12.5% each quarter thereafter. The Company has recorded stock-based compensation for options that vested during the year as follows:

	2007	2006
Number of options vested in the year	1,380,000	1,313,750
Stock-based compensation expense	\$ 285,047	\$ 201,667
Capitalized to mineral properties	-	176
Total compensation recognized for the year	285,047	201,843
Fair value of options exercised (i)	(11,910)	-
Change in contributed surplus for the year	\$ 273,137	\$ 201,843

(i) During the year, 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.

Notes to Financial Statements

31 October 2007 and 2006

Canadian Funds

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 - \$96,000 (2006 - \$96,000);
- b) Rent and office services fees paid to a company with directors in common - \$48,000 (2006 - \$48,000);
- c) Graphic design and drafting fees paid to parties related to directors \$1,920 (2006 - \$2,450);
- d) In December 2005, 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 was repaid in full during the prior year with interest totalling \$2,293. The Company also issued 90,000 bonus shares at a value of \$0.20 per share in consideration of the loan (*Note 6a*).

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.

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 years ended October 31 are as follows:

	2007	2006
Loss before income taxes for accounting purposes	\$ (980,620)	\$ (673,527)
Adjustments for differences between accounting and taxable income:		
Amortization	5,350	3,381
Stock-based compensation	285,047	201,667
Write-off of resource property costs	13,685	-
Non-deductible and other items	(114,602)	12,182
Consolidated loss for tax purposes	(791,140)	(456,297)
Statutory tax rate	34.1%	34.1%
Expected tax recovery for the year	(269,779)	(155,598)
Increase (decrease) in taxes due to:		
Current valuation allowance	269,779	155,598
Tax recovery for the year	\$ -	\$ -

Notes to Financial Statements

31 October 2007 and 2006

Canadian Funds

8. Income Taxes – (Continued)

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 are as follows:

	2007		2006
Non-capital loss carry-forwards	\$ 748,603	\$	483,424
Mineral property expenditures	130,364		125,697
Plant and equipment	3,259		1,434
	882,226		610,555
Valuation allowance	(882,226)		(610,555)
	\$ -	\$	-

The Company's non-capital loss carry-forwards expire as follows:

Year of Expiry	Amount
2008	\$ 94,000
2009	118,000
2010	116,000
2014	239,000
2015	381,000
2016	456,000
2017	791,000
	\$ 2,195,000

The Company has approximately \$7,999,000 of resource related expenditures 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 payment of 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.

Notes to Financial Statements

31 October 2007 and 2006

Canadian Funds

10. Segmented Information

The company currently operates in only one operating segment, that being the mining exploration industry. The Company operates in the following geographical segments:

2007	Canada	Africa	Total
Segment operating loss	(966,935)	(13,685)	(980,620)
Identifiable Assets	\$ 1,313,618	\$ 7,726,422	\$ 9,040,040
Capital Expenditures	\$ 17,299	\$ 2,397,700	\$ 2,414,999

2006	Canada	Africa	Total
Segment operating loss	(673,527)	-	(673,527)
Identifiable Assets	\$ 1,361,067	\$ 5,328,278	\$ 6,689,345
Capital Expenditures	\$ 4,859	\$ 1,914,430	\$ 1,919,289

11. Subsequent Events

Subsequent to 31 October 2007, the Company:

- issued 50,000 shares from treasury and paid US\$50,000 in trust to the optionors of the Rambo property (*Note 4a*) pending transfer of the title to the property to the Company;
 - received cash proceeds of \$559,250 and issued 1,025,000 shares upon the exercise of warrants;
 - signed an addendum to the letter agreement with Golden Star extending the date for the issuance of the warrants and shares and for the execution of the definitive agreement as provided for by the letter agreement on the Goulagou and Rounga properties. In addition, the Company and Golden Star executed the definitive agreement as contemplated. Accordingly, the Company issued 2,000,000 warrants and 300,000 shares to Golden Star (*Note 4d*).
 - granted 150,000 five-year stock options at an exercise price of \$0.375 and 180,000 two-year stock options at an exercise price of \$0.30 to investor relations consultants. The grants are subject to regulatory approval.
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RIVERSTONE RESOURCES INC.
Report to Shareholders and
Management Discussion and Analysis
Of the Financial Position and Results of Operations
For the Year Ended October 31, 2007

January 21, 2008

TO OUR SHAREHOLDERS:

This Management's Discussion and Analysis ("MD&A") supplements, but does not form part of, the audited financial statements of the Company and the notes thereto for the year ended October 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 audited annual financial statements for the year ended October 31, 2007 and related notes therein, which have been prepared in accordance with Canadian generally accepted accounting principles, consistently applied. Unless otherwise stated, all amounts herein are expressed in Canadian dollars.

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 17 mineral permits in Burkina Faso, West Africa. Eight of the Company's permits are subject to option agreements, four 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, Liguidi 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 and the Goulagou and Rounga permits are held under an option to purchase agreement. 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 year, the Company completed four non-brokered private placements raising total gross proceeds of \$2,980,500. Subsequent to October 31, 2007, the Company received \$559,250 upon the exercise of warrants – see *Subsequent Events*.

The Company incurred costs of approximately \$2,411,000 on its Burkina Faso mineral properties during the year and on October 10, 2007 acquired an option to acquire a 90% interest in the Goulagou and Rounga permits from Golden Star Resources Ltd. ("Golden Star") – see *Mineral Exploration and Capital Resources and Commitments*.

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 totalling 5,703 metres was carried out in October 2007, which confirmed that the separate gold zones on the property are part of a single, shallow, flat lying gold zone. The zone is open to the north and northwest. Further drilling of this zone will be conducted in early 2008.

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.

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 mine is to begin production in February of 2008 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 completed additional mapping and rock sampling in the third quarter of 2007. A 2,000 metre RC drill program was undertaken in the fourth quarter, with positive results. Additional drilling will be undertaken in 2008 to evaluate the mineralized zone.

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. In the fourth quarter of 2007, additional mapping, rock sampling and an IP survey was completed. Further mapping and sampling, as well as a program of RAB and RC drilling will be undertaken in the first half of 2008.

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. Further mapping and sampling was undertaken on Tangapella and Sebila in the 3rd and 4th quarters of 2007, in an effort to evaluate the remaining gold-in-soil anomalies. Results from these programs are pending.

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. An IP survey was carried out over a small portion of the Bouboulou permit in October of 2007. Several gold-bearing zones have been identified, and further evaluation is planned in 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, Teyango and Yantera adjoin Solna to the northeast. The Company has completed regional soil geochemistry and mapping programs on these permits, and results are encouraging. Additional surface work will be undertaken in 2008 in an effort to establish drill targets.

Goulagou/Rounga Permits

On October 10, 2007, the Company entered into an option agreement to acquire a 90% interest in the Goulagou and Rounga permits from Golden Star – see *Capital Resources and Commitments*. The property is contiguous with the Company's Rambo property.

SELECTED ANNUAL INFORMATION

All of the financial information referenced below has been prepared in accordance with Canadian generally accepted accounting principles, applied on a consistent basis.

Financial Data for Last Three Fiscal Years			
Fiscal Year Ended	October 2007	October 2006	October 2005
Total revenues	\$Nil	\$Nil	\$Nil
Loss before stock-based compensation	\$695,573	\$471,860	\$353,115
Stock-based compensation	\$285,047	\$201,667	\$192,509
Net (earnings) loss	\$980,620	\$673,527	\$545,624
Weighted average number of shares outstanding	32,887,532	23,307,725	13,565,111
Loss per share	\$0.03	\$0.03	\$0.04
Cash and cash equivalents	\$1,240,443	\$1,379,694	\$97,036
Current assets	\$1,400,551	\$1,459,505	\$146,702
Non-current assets	\$7,639,489	\$5,229,840	\$3,313,932
Total assets	\$9,040,040	\$6,689,345	\$3,460,634
Current liabilities	\$275,522	\$231,263	\$284,431
Total long-term financial liabilities	\$Nil	\$Nil	\$Nil
Total shareholders' equity	\$8,764,518	\$6,458,082	\$3,176,203
Cash dividends declared per share	\$Nil	\$Nil	\$Nil

RESULTS OF OPERATIONS

The loss for the year was \$980,620, which compares to a loss of \$673,527 for the previous year. Significant items comprising the current loss include \$96,000 in administration and management fees, \$121,947 in professional fees, \$111,144 for promotion and public relations, \$48,000 for rent and office services, \$116,615 in salaries and wages, \$285,047 in stock-based compensation, a non-cash item, and \$90,532 in travel and accommodation. Cash flows used in operations, before changes in non-cash working capital items, totalled \$676,538 compared to cash of \$450,479 used in operations in the prior year.

Compared to the prior year, general and administrative costs increased to \$1,005,453 from \$717,898. In the current year, there were increases in professional fees, promotion and public relations costs, and travel costs as the Company continued to focus on raising equity capital in the year. In addition, the Company had higher salary costs during the current year due to the hiring of a full-time exploration manager in March 2006. In the prior year, the Company arranged a \$90,000 bridge-financing loan from a director and parties related to directors and issued 90,000 shares, as a bonus to the lenders, at a deemed price of \$0.20 per share for a total non-cash financing cost of \$18,000. The loan was repaid in full in the prior year, with accrued interest amounting to \$2,293. Neither of these costs were experienced in the current year. Stock-based compensation totalled \$285,047 in 2007 compared to \$201,667 in 2006. The Company received interest income of \$38,794 compared to \$38,883 received in the prior year. New items for the current year include other income of \$5,363 and a write-off of costs relating to properties not acquired of \$13,685.

During the year, the Company incurred general exploration costs of \$27,350 on prospects in West Africa and direct resource property costs of \$2,411,385 as a result of exploration work completed on its Burkina Faso properties. This compares to \$1,914,430 of direct costs incurred in the prior year.

SUMMARY OF QUARTERLY RESULTS

Financial Data for the Last Eight Quarters

Three Months Ended	Oct-07	Jul-07	Apr-07	Jan-07	Oct-06	Jul-06	Apr-06	Jan-06
Total Revenues	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil
Loss before stock-based compensation	\$182,887	\$169,117	\$177,323	\$166,246	\$113,845	\$171,159	\$101,281	\$85,575
Loss for the period	\$246,940	\$293,217	\$225,212	\$215,251	\$190,441	\$201,624	\$158,534	\$122,928
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 March 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 \$169,000 for 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 year under review, the Company had working capital of \$1,125,029 compared to working capital of \$1,228,242 at the end of the previous year. The slight decrease in working capital over the previous year results from cash provided by equity financing activities (\$2,967,509) outweighing cash used in operating activities (\$676,538) and investing activities (\$2,394,184) during the year. In fiscal 2007, the Company raised approximately \$740,000 less than in fiscal 2006 while it incurred cash operating costs of approximately \$226,000 more than in fiscal 2006 and capital expenditures of approximately \$503,000 more than in fiscal 2006.

At October 31, 2007, the Company had cash on hand of \$1,240,443 compared to \$1,379,694 at October 31, 2006. In addition, subsequent to October 31, 2007 the Company received an additional \$550,000 upon the exercise of warrants – see *Subsequent Events*. With the subsequent receipt of warrant proceeds, the Company has sufficient working capital to meet its ongoing overhead requirements; however, to meet its ongoing exploration requirements (see *Capital Resources and Commitments*), the Company will have to raise additional equity financing in 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 October 31, 2007, the Company had satisfied the entire exploration expense requirement on the property. To earn its interest in the property, the Company must make the remaining scheduled cash payments of US\$50,000 and issue 50,000 shares before December 15, 2007 – see *Subsequent Events*.

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, of which the Company had completed US\$80,000 by October 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, of which the Company had completed US\$72,000 by October 31, 2007.

During the year, the Company entered into an agreement with Golden Star, which grants the Company the option to acquire a 90% interest in the Goulagou and Rounga properties. To exercise its option, the Company must issue 2,000,000 warrants, 2,000,000 shares, incur \$4,000,000 in exploration expenditures, and pay US\$18,600,000 in cash, shares, or a combination thereof, at the Company's option, within four years – see *Subsequent Events*.

Golden Star retains an NSR of between 0% and 2% depending on the quantity of gold produced. The Company can increase its interest to 100% by paying a third party US\$1,000,000 on or before 12 months after the first production of gold from the properties. Thereafter, the third party will retain a 5% net profits interest, which can be purchased by the Company for US\$500,000. The Company will pay a finder's fee to an arm's length party of \$45,000 and 150,000 shares.

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.

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 October 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 \$96,000 (2006 - \$96,000) and rent and office services of \$48,000 (2006 - \$48,000) paid to a company with which the company shares directors in common.

In December 2005, 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 was repaid in full during the prior year with interest totalling \$2,293. The Company also issued, in the prior year, 90,000 bonus shares at a deemed value of \$0.20 per share in consideration of the loan. There was no similar expense in the current year.

DISCUSSION OF FOURTH QUARTER RESULTS

The fourth quarter of 2007 saw the Company continue its exploration activities in West Africa incurring \$473,820 in exploration expenditures compared to \$494,854 in the third quarter.

General and administrative costs, before stock-based compensation, of \$190,074 incurred in the fourth quarter were slightly higher than costs of \$163,760 incurred in the third quarter primarily due to a one-time consulting fee paid (in shares) during the quarter.

Cash flows used in operations, before changes in non-cash working capital items, of \$167,227 were consistent with \$167,351 used in the third quarter of 2006.

CHANGES IN ACCOUNTING POLICIES

There were no changes in existing accounting policies in the year 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, and accounts payable and accrued liabilities. The Company maintains cash balances and has payables that are denominated in the currency of Francophone West Africa ("CFA"), which are subject to fluctuations in exchange rate between the Canadian dollar and the CFA. 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 October 31, 2007 audited 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 4f).

OUTSTANDING SHARES

As at October 31, 2007, the Company had 40,243,030 (diluted – 55,449,155) common shares issued and outstanding versus 28,524,905 (diluted – 37,883,530) at October 31, 2006. The increase over 2006 reflects the success of the Company in raising funds through the issue of new shares and the exercise of options and warrants as described below.

During the year, the Company issued 11,480,000 shares under four non-brokered private placements (including 330,000 shares issued for finders' fees), 37,500 shares upon the exercise of warrants, and 75,625 shares upon the exercise of options. In addition, the Company issued 50,000 shares under the Rambo option agreement (see *Mineral Exploration*) and 75,000 shares as a consulting fee for services. The increase in the number of diluted shares since October 31, 2006 also includes the issuance of 5,740,000 warrants under the non-brokered private placements, the granting of 1,355,000 options, the expiry of 9,375 options, and the expiry of 1,125,000 warrants during the period.

Issued and diluted shares outstanding as at the date hereof are 41,618,030 and 53,448,030 respectively. The increases from October 31, 2007 reflect the subsequent issuance of 50,000 shares under the Rambo property agreement, the issuance of 1,025,000 shares upon the exercise of warrants, the granting of 330,000 options, and the issuance of 300,000 shares and 2,000,000 warrants under the Golden Star agreement – see *Subsequent Events*.

SUBSEQUENT EVENTS

Subsequent to 31 October 2007, the Company received \$559,250 upon the exercise of 1,025,000 warrants and issued 50,000 shares from treasury and paid US\$50,000 in trust to the optionors of the Rambo property, pending transfer of the title to the property to the Company. The Company also granted 330,000 options to investor relations consultants subject to regulatory approvals and issued 300,000 shares and 2,000,000 warrants under the Golden Star option agreement – see *Capital Resources and*

Commitments. Further details of these items are included in note 11 to the Company's annual audited financial statements.

INVESTOR RELATIONS ACTIVITIES

With respect to public relations, the Company's 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. Subsequent to the year end, the company entered into six month agreements for investor relations services from Ascenta Capital Partners Inc. in Vancouver, BC and Plation Capital AG in Switzerland.

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.

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, 2007. 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 year 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, 2007. No material weaknesses in the design were identified. Management continues to review and refine its internal controls and procedures.

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 Annual Management Discussion and Analysis.

Respectfully submitted
On Behalf of the Board of Directors

"Michael D. McInnis"

Michael D. McInnis, P. Eng., President & CEO