

# **RIVERSTONE RESOURCES INC.**

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

**31 OCTOBER 2008 and 2007**

## Auditors' Report

To the Shareholders of Riverstone Resources Inc.:

We have audited the consolidated balance sheets of Riverstone Resources Inc. (the "Company") as at October 31, 2008 and 2007 and the consolidated 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 audit.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2008 and 2007 and the result 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, B.C.  
February 27, 2009

**Consolidated Balance Sheets**

As at 31 October

Canadian Funds

<b>ASSETS</b>	<b>2008</b>	<b>2007</b>
<b>Current</b>		
Cash	\$ 187,564	\$ 1,240,443
Accounts receivable	47,548	42,402
Prepaid expenses	108,807	117,706
	<u>343,919</u>	<u>1,400,551</u>
<b>Resource Properties</b> (Note 4)	<b>12,021,464</b>	<b>7,617,103</b>
<b>Equipment</b> (Note 5)	<b>23,488</b>	<b>22,386</b>
	<u>\$ 12,388,871</u>	<u>\$ 9,040,040</u>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities		
- trade and other	\$ 254,219	\$ 267,282
- related parties	-	8,240
	<u>254,219</u>	<u>275,522</u>
<b>Non-Controlling Interest</b> (Note 11)	<b>288,758</b>	<b>-</b>
<b>SHAREHOLDERS' EQUITY</b>		
<b>Share Capital</b> (Note 6a)	<b>14,948,073</b>	<b>11,427,736</b>
<b>Contributed Surplus</b> (Note 6b)	<b>1,782,660</b>	<b>1,129,280</b>
<b>Deficit</b> - Statement 2	<b>(4,884,839)</b>	<b>(3,792,498)</b>
	<u>11,845,894</u>	<u>8,764,518</u>
	<u>\$ 12,388,871</u>	<u>\$ 9,040,040</u>

**Going Concern** (Note 1)**Commitments** (Note 9)**Subsequent Events** (Note 13)

ON BEHALF OF THE BOARD:

"Michael D. McInnis"

\_\_\_\_\_, Director

"James Robertson"

\_\_\_\_\_, Director

## Consolidated Statements of Loss, Comprehensive Loss and Deficit

For the Years Ended 31 October

Canadian Funds

	2008	2007
<b>Indirect and Administrative</b>		
Administration and management fees (Note 7a)	\$ 96,000	\$ 96,000
Amortization	9,322	5,350
Consulting fees	51,616	54,413
General exploration	-	27,350
Office and general	15,035	13,794
Professional	187,351	121,947
Promotion and public relations	221,330	111,144
Rent and office services (Note 7b)	78,000	48,000
Salaries and wages	125,092	116,615
Shareholder information	12,982	12,535
Stock-based compensation (Note 6e)	348,777	285,047
Stock exchange and filing fees	15,987	13,027
Transfer agent	9,904	9,699
Travel and accommodation	83,847	90,532
<b>Loss for the Year Before the Under-Noted</b>	<b>1,255,243</b>	<b>1,005,453</b>
Interest income	(16,053)	(38,794)
Other income	(9,150)	(5,363)
Foreign exchange loss	589	5,639
Write-off of resource property costs	-	13,685
<b>Loss for the Year before Income Taxes</b>	<b>1,230,629</b>	<b>980,620</b>
Future income tax recovery (Note 8)	(138,288)	-
<b>Loss and Comprehensive Loss for the Year</b>	<b>1,092,341</b>	<b>980,620</b>
Deficit - beginning of year	3,792,498	2,811,878
<b>Deficit - End of Year</b>	<b>\$ 4,884,839</b>	<b>\$ 3,792,498</b>
<b>Loss per Share - Basic and Diluted</b>	<b>\$ 0.02</b>	<b>\$ 0.03</b>
<b>Weighted-Average Number of Shares</b>	<b>44,025,774</b>	<b>32,887,532</b>

- See Accompanying Notes -

**Consolidated Statements of Cash Flows**

For the Years Ended 31 October

Canadian Funds

<b>Cash Resources Provided By (Used In)</b>	<b>2008</b>	<b>2007</b>
<b>Operating Activities</b>		
Loss for the year	\$ (1,092,341)	\$ (980,620)
Items not affecting cash		
Amortization	9,322	5,350
Stock-based compensation	348,777	285,047
Write-off of resource property costs	-	13,685
Future income tax recovery	(138,288)	-
	<b>(872,530)</b>	<b>(676,538)</b>
Net change in non-cash working capital		
Accounts receivable	(5,146)	6,264
Prepaid expenses	8,899	(86,561)
Accounts payable and accrued liabilities		
- trade and other	2,820	56,411
- related parties	(8,240)	6,795
	<b>(874,197)</b>	<b>(693,629)</b>
<b>Investing Activities</b>		
Resource property costs	(3,557,477)	(2,395,832)
Equipment	(10,424)	(17,299)
	<b>(3,567,901)</b>	<b>(2,413,131)</b>
<b>Financing Activities</b>		
Shares issued for cash	3,450,718	3,011,956
Share issuance costs	(61,499)	(44,447)
	<b>3,389,219</b>	<b>2,967,509</b>
<b>Net Decrease in Cash</b>	<b>(1,052,879)</b>	<b>(139,251)</b>
Cash position - beginning of year	1,240,443	1,379,694
<b>Cash Position - End of Year</b>	<b>\$ 187,564</b>	<b>\$ 1,240,443</b>

**Supplemental Schedule of Non-Cash Investing and Financing Transactions**

Shares issued for resource properties	\$ 135,000	\$ 34,500
Future income taxes capitalized to resource properties	\$ 138,288	\$ -
Fair value of warrants issued for resource properties	\$ 300,721	\$ -
Fair value of compensation options	\$ 11,721	\$ -
Non-controlling interest's share of resource properties acquired	\$ 288,758	\$ -
Shares issued for finders' fees – equity financings	\$ -	\$ 82,500
Fair value of stock options exercised	\$ 7,839	\$ 11,910
Increase (decrease) in resource property accounts payable	\$ (15,883)	\$ (18,947)

**Supplemental Cash Flow Information**

Interest received	\$ 19,853	\$ 38,794
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## Notes to Consolidated Financial Statements

31 October 2008 and 2007

Canadian Funds

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### 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 mineral 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 Company's ability to continue as a going concern is dependent upon 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 to the carrying value of assets and liabilities, the reported expenses and the balance sheet classifications used, and such adjustments would be material.

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### 2. Significant Accounting Policies

#### a) Consolidation

These consolidated financial statements include the accounts of the Company, its two wholly owned Burkina Faso subsidiaries, Riverstone Resources Burkina sarl and West African Energy sarl, and its 80%-owned subsidiary, Liquidi Malguem Joint Venture-Sarl ("LM-Sarl"), a Burkina Faso corporation formed pursuant to the Company earning its 80% interest in the Liquidi Malguem property (*Note 4b*). LM-Sarl has been accounted for under the purchase method from 15 February 2008, the date that the Company gained control of LM-Sarl. All significant inter-company transactions and balances have been eliminated.

#### b) Accounting Changes

Effective 1 November 2007, the Company adopted the recommendations of CICA Handbook Section 1506 – *Accounting Changes*. This new standard establishes criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies and estimates, and correction of errors, replacing the former CICA Handbook Section 1506. The adoption of this new standard had no material effect on the Company's financial statements.

#### c) Capital Disclosures

Effective 1 November 2007, the Company adopted the recommendations of CICA Handbook Section 1535 – *Capital Disclosures*. This Section requires disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the Company's objectives, policies and processes of managing capital.

## Notes to Consolidated Financial Statements

31 October 2008 and 2007

Canadian Funds

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### 2. Significant Accounting Policies - *Continued*

#### d) Financial Instruments – Disclosures and Presentation

Effective 1 November 2007, the Company adopted the recommendations of CICA Handbook Sections 3862 – *Financial Instruments – Disclosures* and 3863 – *Financial Instruments – Presentation*. These Sections require disclosure of quantitative and qualitative information that enable users to evaluate the significance of financial instruments for the Company's financial position and performance and the nature and extent of risks arising from financial instruments to which the Company is exposed during the period and at the balance sheet date, and management's objectives, policies and procedures for managing such risks. Disclosure of the measurement basis used and the criteria used to determine classification for different types of instruments is also required.

#### e) Going Concern

Effective 1 November 2007, the Company adopted the recommendations of CICA Handbook Section 1400 – *General Standards on Financial Statement Presentation*. This Section requires management to assess the Company's ability to continue as a going concern and to disclose any uncertainties arising from such an assessment. The adoption of this new standard had no material effect on the Company's financial statements.

#### f) 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.

#### g) 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.

#### h) 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.

## Notes to Consolidated Financial Statements

31 October 2008 and 2007

Canadian Funds

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### 2. Significant Accounting Policies - *Continued*

#### i) **Stock-Based Compensation**

The Company uses the Black-Scholes Option-Pricing Model to estimate the fair value of stock options and recognizes stock-based compensation in accordance with CICA Handbook Section 3870 – *Stock-Based Compensation and Other Stock-Based Payments*. Employee options are measured at the date of grant and the related compensation expense is recognized over the vesting period. Non-employee options are measured at the earlier of the vesting date and the date that performance is completed; the related compensation expense is recognized over the vesting period.

#### j) **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.

#### k) **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.

#### l) **Equipment**

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

## Notes to Consolidated Financial Statements

31 October 2008 and 2007

Canadian Funds

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### 2. Significant Accounting Policies - *Continued*

#### m) 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 2008.

#### n) 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.

#### o) 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 substantively 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.

#### p) 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.

#### q) Financial Instruments

The Company has 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.

## Notes to Consolidated Financial Statements

31 October 2008 and 2007

Canadian Funds

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### 2. Significant Accounting Policies - *Continued*

r) **Non-Controlling Interest**

A non-controlling interest exists in a subsidiary of the Company and represents the outside interest's share of the carrying value of the subsidiary.

s) **Recent accounting pronouncements**

International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five-year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement, for comparative purposes, of amounts reported by the Company for the year ended December 31, 2010. The Company has begun assessing the adoption of IFRS for 2011, but has not yet determined the impact the transition to IFRS will have on the Company's financial statements.

Goodwill and Intangible Assets

In February 2008, the CICA issued Handbook Section 3064 – *Goodwill and Intangible Assets* which replaced Handbook Section 3062 – *Goodwill and Other Intangible Assets*. This revision aligned Canadian GAAP with IFRS and established standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The Company does not expect the adoption of this standard to have any impact on the Company's financial statements.

Business Combinations; Consolidated Financial Statements and Non-Controlling Interests

In January 2008, the CICA issued Handbook Sections 1582 – *Business Combinations*; 1601 – *Consolidated Financial Statements*; and 1602 – *Non-Controlling Interests*. These sections replace the former CICA Handbook Section 1581 – *Business Combinations* and CICA 1600 – *Consolidated Financial Statements* and establish a new section for accounting for a non-controlling interest in a subsidiary. These sections also provide the Canadian equivalent to IFRS 3 – *Business Combinations* and IAS 27 – *Consolidated and Separate Financial Statements*.

CICA 1582 is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. CICA 1601 and CICA 1692 apply to interim and annual consolidated financial statements relating to years beginning on or after January 1, 2011. Management has not yet evaluated the impact of these standards on the Company's financial statements.

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## Notes to Consolidated Financial Statements

31 October 2008 and 2007

Canadian Funds

### 3. Financial Instruments

The Company's financial instruments consist of cash, accounts receivable, and accounts payable and accrued liabilities. Cash and cash equivalents are classified as Assets Held-For-Trading and carried at fair value. All of the Company's other financial instruments are carried at amortized cost. The Company has no speculative financial instruments, derivatives, forward contracts, or hedges.

All of the Company's Canadian cash is held in an interest bearing account at a major Canadian bank and such balances earn interest at market rates. The Company also maintains cash in the currency of Francophone West Africa ("CFA"), which it uses to fund its foreign projects. The cash balances and payables that are denominated in CFA are subject to currency risk due to fluctuations in the exchange rate between the Canadian dollar and the CFA. To manage this currency risk, the Company maintains only the minimum amount of foreign cash necessary to fund its ongoing exploration expenditures. As at October 31, 2008, the Company had the equivalent of \$70,642 in CFA. Accounts payable are settled in a timely manner.

It is management's opinion that the Company is not exposed to any significant credit, interest rate, liquidity or market risks in respect of these financial instruments. The Company's policies and processes of managing all risks associated with its financial instruments have not changed during the current year.

### 4. Resource Properties

#### a) Rambo Property, Burkina Faso, West Africa

During the year, the Company acquired 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"). The Company acquired 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	\$ 5,000	-	\$ -
Upon regulatory approval	35,000	50,000	-
On or before 15 December 2004	50,000	50,000	150,000
On or before 15 December 2005	50,000	50,000	150,000
On or before 15 December 2006	50,000	50,000	200,000
On or before 15 December 2007	50,000	50,000	-
	\$ 240,000	250,000	\$ 500,000

## Notes to Consolidated Financial Statements

31 October 2008 and 2007

Canadian Funds

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### 4. Resource Properties - *Continued*

#### b) **Liguidi Malguem Property, Burkina Faso, West Africa**

During fiscal 2007, 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. During the current year, the Company and the optionor executed a joint venture agreement, with dilution provisions, as provided for in the option agreement, and will continue to develop the property through LM-Sarl, a Burkinabé subsidiary controlled by the Company (*Note 11*). As at 31 October 2008, LM-Sarl had no operations or liabilities, and its only significant asset is the Liguidi Malguem property.

Also during the current period, the Company entered into a Memorandum of Understanding ("MOU") with Teck Cominco Limited ("Teck") in respect of the Liguidi Malguem property. As a result, Teck subscribed for 1.75 million units of the Company on a private placement basis at a price of \$0.60 per unit (*Note 6*), representing the first tranche of a total 3.5 million unit private placement. Each unit consisted of one share and one share purchase warrant exercisable for a period of two years from the date of issue to acquire one additional common share at a price of \$1.20. The Company is obliged to spend a minimum of 25% of the total private placement proceeds on an initial work program on the Liguidi Malguem property within 12 months of the funding of the initial tranche. The Company has until 7 December 2008 to effect the transfer of Liguidi Malguem into LM-Sarl, at which time Teck must complete the second tranche of 1.75 million units (*Note 13*).

Following the results of the initial work program, Teck will be entitled to elect to acquire an initial 35% interest in the Company's interest in the Liguidi Malguem property by exercising sufficient share purchase warrants to provide Riverstone with at least \$2 million for general corporate purposes and by incurring an aggregate of \$4 million in expenditures over 3 years, including not less than \$750,000 in year one of the option period.

After acquiring a 35% interest, Teck will have the right to acquire a further 16% interest (for an aggregate 51%) by funding an additional \$4 million in expenditures on the property on or before the fifth anniversary of the option.

After earning a 51% interest or, if Teck elects to cease sole funding, after earning a 35% interest, the property will be explored and developed as a corporate joint venture with each party contributing its pro rata share of expenditures and subject to dilution provisions.

After the private placement is completed, Teck will have a right to participate in future equity financings of the Company on the same terms as arm's length investors to maintain its percentage shareholdings in the Company on a non-diluted basis until the earlier of termination of the MOU or formation of a joint venture.

## Notes to Consolidated Financial Statements

31 October 2008 and 2007

Canadian Funds

### 4. Resource Properties - *Continued*

#### 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 ( <i>paid</i> )	30,000	-
On or before 9 March 2009	30,000	-
	\$ 140,000	\$ 290,000

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.

#### d) Goulagou and Rounga Properties, Burkina Faso, West Africa

During fiscal 2007, the Company entered into an agreement 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. To maintain and 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, on or before 10 January 2012.

The 2,000,000 warrants were issued on 10 January 2008 and are exercisable at any time for up to four years 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. The warrants were assigned a fair value of \$300,721 using the Black-Scholes Option-Pricing Model with the following assumptions: risk-free interest rate of 3.34%, expected dividend yield of 0.00%, estimated stock price volatility of 78.9%, and expected option life of 3.00 years. In addition, the Company has capitalized the estimated future income tax related to the warrants of \$138,288 (*Note 8*).

## Notes to Consolidated Financial Statements

31 October 2008 and 2007

Canadian Funds

### 4. Resource Properties - *Continued*

#### d) Goulagou and Rounga Properties, Burkina Faso, West Africa - *Continued*

The share issuances and exploration expenditures to maintain the option are as follows:

	Shares		Exploration Expenditures
Upon signing of the agreement ( <i>issued</i> )	300,000	\$	-
On or before 10 January 2009 ( <i>issued - Note 13, completed</i> )	400,000		500,000
On or before 10 January 2010	600,000		750,000
On or before 10 January 2011	700,000		1,250,000
On or before 10 January 2012	-		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.

A finder's fee to an arm's length party is payable with respect to the transaction. Accordingly, the Company has accrued \$45,000 and is committed to issuing 150,000 shares.

#### 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.

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 ( <i>paid</i> )	30,000		-
On or before 9 April 2009	30,000		-
	\$ 132,000	\$	110,000

**Notes to Consolidated Financial Statements**

31 October 2008 and 2007

Canadian Funds

**4. Resource Properties - Continued**

f) Additions for the year and cumulative expenditures as at 31 October are as follows:

2008	Acquisition	Exploration	Total Additions	Cumulative Expenditures
Rambo	\$ 65,470	\$ 202,394	\$ 267,864	\$ 2,606,236
Liguidi Malguem (Note 11)	288,758	561,813	850,571	1,847,204
Solna	-	51,663	51,663	373,274
Kao	-	1,165,416	1,165,416	2,390,825
Yaramoko	-	214,903	214,903	507,000
Tao	30,000	54,032	84,032	428,068
Yantara	-	9,653	9,653	55,979
Teyango	-	16,149	16,149	64,690
Bissa East	30,916	201,442	232,358	1,736,264
Bissa West	-	42,222	42,222	513,742
Goulagou	692,307	700,438	1,392,745	1,421,397
Rounga	-	76,785	76,785	76,785
	\$ 1,107,451	\$ 3,296,910	\$ 4,404,361	\$ 12,021,464

2007	Acquisition	Exploration	Total Additions	Cumulative Expenditures
Rambo	\$ 72,650	\$ 15,954	\$ 88,604	\$ 2,338,372
Liguidi Malguem	34,516	35,080	69,596	996,633
Solna	-	12,563	12,563	321,611
Kao	-	732,564	732,564	1,225,409
Yaramoko	-	96,481	96,481	292,097
Tao	34,430	37,647	72,077	344,036
Yantara	-	40,431	40,431	46,326
Teyango	-	44,123	44,123	48,541
Bissa East	34,598	811,652	846,250	1,503,906
Bissa West	-	375,755	375,755	471,520
Goulagou	28,652	-	28,652	28,652
Other	-	4,289	4,289	-
	\$ 204,846	\$ 2,206,539	\$ 2,411,385	\$ 7,617,103

All Burkina Faso properties are subject to a standard government 10% carried interest upon commencing production. To the best of the Company's knowledge, ownership of its mineral interests is in good standing as at 31 October 2008.

**5. Equipment**

Details as at 31 October are as follows:

2008	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 42,366	\$ 18,878	\$ 23,488
2007	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 31,942	\$ 9,556	\$ 22,386

## Notes to Consolidated Financial Statements

31 October 2008 and 2007

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:

	2008		2007	
	Shares	Amount	Shares	Amount
Balance - beginning of year	40,243,030	\$ 11,427,736	28,524,905	\$ 8,413,817
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)	4,165,311	1,582,818	-	-
Private placement (vi)	1,750,000	1,050,000	-	-
Share issuance costs	-	(73,220)	-	(126,947)
Shares issued for property (Note 4a)	50,000	15,000	50,000	15,000
Shares issued for property (Note 4d)	300,000	120,000	-	-
Shares issued for consulting fee	-	-	75,000	19,500
Shares issued on exercise of warrants	1,570,000	750,000	37,500	11,250
Shares issued on exercise of options	485,000	67,900	75,625	20,206
Fair value of options exercised (Note 6b)	-	7,839	-	11,910
Balance - end of year	48,563,341	\$ 14,948,073	40,243,030	\$ 11,427,736

(i) During fiscal 2007, 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 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 \$0.35 until 19 December 2007.

(ii) During fiscal 2007, 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 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 \$0.37 until 10 January 2008.

(iii) During fiscal 2007, 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 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 \$0.40 until 12 March 2008.

(iv) During fiscal 2007, 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 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 \$0.35 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 year, the Company completed a private placement of 4,165,311 units at a price of \$0.38 per unit for gross proceeds of \$1,582,818. Each Unit consisted of one common share and one-half of one warrant, each whole warrant entitling the holder to purchase one additional common share at a price of \$0.60 per share until 12 December 2009. The Company paid finders' fees of \$33,330 and issued 87,701 compensation options exercisable to acquire a unit at \$0.38 per unit with each unit having the same terms and conditions as the private placement units. The fair value of the 87,701 compensation options was estimated at \$11,721 using the Black-Scholes Option-Pricing Model with the following assumptions: risk-free interest rate of 3.40%, expected dividend yield of 0.00%, estimated stock price volatility of 66.43%, and expected option life of 1.50 years.

## Notes to Consolidated Financial Statements

31 October 2008 and 2007

Canadian Funds

## 6. Share Capital – Continued

a) Share issuance details are as follows: *Continued*

(vi) During the year, the Company completed the first tranche of a private placement with Teck in respect of its option agreement on the Liguidi property (*Note 4b*). The Company issued 1.75 million units at a price of \$0.60 per unit for cash proceeds of \$1,050,000 in accordance with the agreement. Each unit consists of one common share and one warrant entitling Teck to purchase one additional common share at a price of \$1.20 per share until 16 June 2010. The option agreement was subject to a due diligence period, during which Teck advanced the Company \$500,000 in the form of an interest-free loan repayable in cash or shares at the Company's option. Upon completion of the due diligence and funding of the first tranche of the private placement, the loan was repaid by set-off against the private placement proceeds.

## b) Contributed Surplus

Details are as follows:

	2008	2007
Balance - beginning of year	\$ 1,129,280	\$ 856,143
Stock-based compensation ( <i>Note 6e</i> )	348,777	285,047
Fair value of warrants issued ( <i>Note 6a</i> )	300,721	-
Fair value of compensation options ( <i>Note 6a</i> )	11,721	-
Fair value of stock options exercised ( <i>Note 6e</i> )	(7,839)	(11,910)
Balance - end of year	\$ 1,782,660	\$ 1,129,280

## c) Details of share purchase warrant activities are as follows:

	2008	2007
Balance - beginning of year	10,421,125	5,843,625
Issued	5,964,205	5,740,000
Exercised	(1,570,000)	(37,500)
Expired	(8,851,125)	(1,125,000)
Balance - end of year	5,964,205	10,421,125

As at 31 October, the Company had share purchase warrants outstanding entitling the holder to purchase common shares of the Company as follows:

2008	2007	Exercise Price	Expiry Date
-	4,106,250	\$ 0.55	4 November 2007 ( <i>Note 11</i> )
-	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
2,000,000	-	\$ 0.30*	10 January 2012
2,082,654	-	\$ 0.60	12 December 2009
131,551	-	\$ 0.60	12 December 2009
1,750,000	-	\$ 1.20	16 June 2010
5,964,205	10,421,125		

\* Warrants are exercisable at \$0.30 to 10 January 2009, \$0.35 to 10 January 2010, \$0.40 to 10 January 2011, and \$0.45 to 10 January 2012.

## Notes to Consolidated Financial Statements

31 October 2008 and 2007

Canadian Funds

## 6. Share Capital – Continued

- d) 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:

	2008	Weighted Average Exercise Price	2007	Weighted Average Exercise Price
Balance - beginning of year	4,785,000	\$ 0.29	3,515,000	\$ 0.29
Granted	1,340,000	\$ 0.33	1,355,000	\$ 0.28
Exercised	(485,000)	\$ 0.14	(75,625)	\$ 0.27
Expired	-	\$ -	(9,375)	\$ 0.25
Balance - end of year	5,640,000	\$ 0.30	4,785,000	\$ 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	2008	2007	Exercise Price	Expiry Date
19 August 2003	-	485,000	\$ 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	50,000	\$ 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	885,000	\$ 0.25	13 October 2011
1 July 2007	150,000	150,000	\$ 0.275	30 June 2012
9 July 2007	1,205,000	1,205,000	\$ 0.28	8 July 2012
18 October 2007	150,000	-	\$ 0.375	18 October 2009
3 December 2007	180,000	-	\$ 0.33	3 December 2009
6 February 2008	1,010,000	-	\$ 0.32	6 February 2013
	5,640,000	4,785,000		

The outstanding options have a weighted average remaining life of 2.67 years (2007 – 3.16 years). As at 31 October 2008, 4,860,625 (2007 – 3,713,125) of these options have vested and are exercisable and have a weighted-average exercise price of \$0.30 (2007 - \$0.30).

**Notes to Consolidated Financial Statements**

31 October 2008 and 2007

Canadian Funds

**6. Share Capital – Continued****e) 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:

	2008	2007
Total options granted	1,340,000	1,355,000
Average exercise price	\$ 0.33	\$ 0.28
Estimated fair value of compensation	\$ 273,350	\$ 276,822
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:

	2008	2007
Risk-free interest rate	3.47%	4.67%
Expected dividend yield	0.00%	0.00%
Expected stock price volatility	87.22%	91.78%
Expected option life in years	4.26	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:

	2008	2007
Number of options vested in the year	1,628,750	1,380,000
Stock-based compensation expense	\$ 348,777	\$ 285,047
Fair value of options exercised (i)	(7,839)	(11,910)
Change in contributed surplus for the year	\$ 340,938	\$ 273,137

(i) During the year, 485,000 options (2007 – 75,625) 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 - \$96,000 (2007 - \$96,000);
- b) Rent and office services fees paid to a company with directors in common - \$78,000 (2007 - \$48,000);
- c) Graphic design and drafting fees paid to parties related to directors \$3,930 (2007 - \$1,920);

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 Consolidated Financial Statements****31 October 2008 and 2007**

Canadian Funds

**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:

	2008	2007
Loss before income taxes for accounting purposes	\$ (1,230,629)	\$ (980,620)
Statutory tax rate	31.00%	34.12%
Expected tax recovery for the year	(381,495)	(334,588)
Tax effect of differences in deductibility of expenses for accounting and tax purposes:		
Amortization	2,890	1,825
Stock-based compensation	108,121	97,258
Write-off of resource property costs	-	4,669
General exploration	-	9,332
Share issuance costs	(39,762)	(39,908)
Non-deductible and other items	2,070	337
Current income tax recovery	(308,176)	(261,075)
Future income taxes relating to temporary differences	178,286	12,425
Future income taxes relating to change in tax rates	72,652	61,546
Change in valuation allowance	(81,050)	187,104
Future income tax expense	169,888	261,075
Tax expense (recovery) for the year	\$ (138,288)	\$ -

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 and liabilities as at October 31 are as follows:

	2008	2007
<b>Future Income Tax Assets</b>		
Non-capital loss carry-forwards	\$ 824,371	\$ 590,287
Mineral property expenditures	-	145,499
Equipment	5,852	3,261
Share issuance costs	72,128	102,167
	902,351	841,214
Valuation allowance	(764,063)	(841,214)
Net future income tax assets	138,288	-
<b>Future Income Tax Liabilities</b>		
Mineral property expenditures	(142,187)	-
Valuation allowance	3,899	-
Net future income tax liabilities	(138,288)	-
Net future income tax assets (liabilities)	\$ -	\$ -

## Notes to Consolidated Financial Statements

31 October 2008 and 2007

Canadian Funds

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### 8. Income Taxes – Continued

During the year, the Company recognized non-capital tax loss carry-forwards, which had previously been subject to a full valuation allowance, producing a future income tax recovery and future income tax asset of \$138,288. This future income tax asset has been offset against the future income tax liability created upon the capitalization of 2,000,000 warrants issued in the period pursuant to the Goulagou property agreement (Note 4d).

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

Year of Expiry	Amount
2009	\$ 118,000
2010	116,000
2014	239,000
2015	381,000
2026	555,000
2027	767,000
2028	994,000
	<hr/>
	\$ 3,170,000

The Company has approximately \$11,720,000 of resource related expenditures that may be carried forward indefinitely and used to reduce prescribed taxable income in future years.

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### 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.

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### 10. Capital Disclosures

The Company is in the business of mineral exploration and has no source of operating revenue. The Company has no short- or long-term debt and finances its operations through the issuance of capital stock. Capital raised is held in cash in an interest bearing bank account until such time as it is required to pay operating expenses or resource property costs. The Company is not subject to any externally imposed capital restrictions. Its objectives in managing its capital are to safeguard its cash and its ability to continue as a going concern, and to utilize as much of its available capital as possible for exploration activities. The Company's objectives have not changed during the year.

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## Notes to Consolidated Financial Statements

31 October 2008 and 2007

Canadian Funds

### 11. Non-Controlling Interest

On 15 February 2008, by virtue of its 80% voting interest, the Company gained control of LM-Sarl (*Note 4b*). LM-Sarl's only function is to hold title to and explore the Liguidi Malguem property. The non-controlling interest is recorded at the carrying value and adjusted by the non-controlling interest's portion of any subsequent income or loss. The non-controlling interest's share of the carrying value of the Liguidi Malguem property is \$288,758. LM-Sarl has no other significant assets or liabilities and had no results of operations for the period from inception to 31 October 2008.

### 12. 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:

2008		Canada		Africa		Total
Resource properties	\$	-	\$	12,021,464	\$	12,021,464
Equipment	\$	23,488	\$	-	\$	23,488
2007		Canada		Africa		Total
Resource properties	\$	-	\$	7,617,103	\$	7,617,103
Equipment	\$	22,386	\$	-	\$	22,386

### 13. Subsequent Events

Subsequent to 31 October 2008, the Company:

- issued 400,000 shares to Golden Star pursuant to the Goulagou and Rounga option agreement (*Note 4d*);
- did not effect the transfer of the Liguidi Malguem permit into the name of LM-Sarl by the 7 December 2008 deadline, therefore, Teck is no longer obligated to fund the second tranche of 1.75 million units at a price of \$0.60 per unit or continue with the option agreement (*Note 4b*);
- granted 730,000 five-year incentive stock options at an exercise price of \$0.205 per share;
- re-priced 5,295,000 previously granted stock options at prices ranging from \$0.40 to \$0.26 per share to a new exercise price of \$0.205 per share. All other terms of the grants remain unchanged. The re-pricing is subject to regulatory approval and, in the case of insiders, subject to shareholder approval.

**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, 2008**

**February 27, 2009**

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**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, 2008. 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, 2008 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](http://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 property transactions have been conducted on an arm's length basis between the Company and the vendors. All of the properties are subject to a standard government 10% carried production interest. 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 finalized its 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*.

The Company executed a joint venture agreement on its Liguidi Malguem project and signed an option agreement granting Teck Cominco Limited ("Teck") the right to earn a 51% interest in the Company's 80% interest in the project – see *Mineral Exploration*. As part of the option, Teck subscribed for 1.75 million units of the Company at a price of \$0.60 per unit for cash proceeds of \$1,050,000. However, remaining terms were not completed and the right was not exercised.

The Company also raised additional cash proceeds of \$2,327,498 during the year upon the completion of a private placement of 4,165,311 units at \$0.38 per unit, the exercise of 1,570,000 warrants and the exercise of 485,000 stock options.

The Company incurred cash costs of \$3,541,594 on its Burkina Faso properties during the year.

## **MINERAL EXPLORATION**

### *Karma Project*

The Karma project comprises four contiguous permits, the Goulagou, Rounga, Kao and Rambo permits, where three gold deposits have been extensively explored by the Company. An independent resource estimate compliant with NI 43-101 has been contracted to Wardrop Engineering for the three deposits and is expected to be completed by the first quarter of 2009,

- *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 and Kao properties. The Goulagou property contains indicated gold resources of 280,000 ounces at a grade of 1.70 g/t gold and additional inferred resources of 270,000 ounces at a grade of 1.49 g/t gold compliant with NI 43-101 as disclosed in a Company news release dated October 11, 2007. A drill program comprising about 3,000 metres of RC drilling was carried out in early 2008 with positive results. A follow-up RC drilling program of 1,285 metres was undertaken in July of 2008. Additional RC drilling is planned in 2009. An updated resource estimation will also be completed in the first quarter of 2009. In October of 2008, Golden Star was required to reduce the size of the Goulagou permit by 25%, according to the Burkina Faso mining code. The reduced ground, which contains several artisanal gold sites, was reacquired as a new permit called Yoaba. No work to date has been undertaken on this permit.

- *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. 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.

These zones have been tested by 17,741 metres of reverse circulation drilling in six drill campaigns; with 2,168 metres in March of 2007, 2,096 metres in July of 2007, 5,703 metres in October of 2007, 5,050 metres in January of 2008, 2,064 metres in June of 2008 and 660 metres in August of 2008. The drilling has confirmed the presence of a shallow, flat lying gold zone that has been traced over almost 800 metres by 400 metres, and remains open in several directions. A NI 43-101 resource estimate is underway and is expected to be complete by the end of the first quarter of 2009.

- *Rambo Permit*

The Rambo permit is located in the north-central part of Burkina Faso and is contiguous with the Goulagou permit, 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.

RAB drilling was carried out during the current period, which identified several anomalous areas. Follow-up RC drilling comprised a single 106 metre drill hole, which returned positive results. Further RC drilling is planned in 2009, and a resource estimation is underway.

### ***Liguidi Malguem Project***

In fiscal 2007, the Company 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. Geochemical surveying over most of the property together with a program of geological mapping and rock sampling 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 were completed. Further mapping and sampling, as well as a program of 4,472 metres of RAB and 900 metres of RC drilling, was undertaken in the first half of 2008 with results pending. Additional work will be undertaken in 2009.

During the year, the Company entered into a Memorandum of Understanding (“MOU”) with Teck Cominco Limited (“Teck”) in respect of the Liguidi Malguem property. As a result, Teck subscribed for 1.75 million units of the Company on a private placement basis at a price of \$0.60 per unit – see *Outstanding Shares*. This represents the first tranche of a total 3.5 million unit private placement. Each unit consists of one share and one share purchase warrant exercisable for a period of two years from the date of issue to acquire one additional common share at a price of \$1.20. The Company is obliged to spend a minimum of 25% of the total private placement proceeds on an initial work program on the Liguidi Malguem property within 12 months of the funding of the initial tranche. The Company has fulfilled this requirement.

The second tranche of 1.75 million units was to be completed upon transfer no later than December 7, 2008 of the Liguidi Malguem licence into the Liguidi Malguem Joint Venture Sarl, which is 80% owned by the Company and 20% by Orex Resources Sarl. The Company did not effect the transfer by the due date because of a legal dispute with Orex. Therefore, Teck is no longer obligated to fund the second tranche of the private placement, or continue with the option agreement. However, the Company continues its efforts to effect the transfer, and intends to negotiate further with Teck upon successful completion of the transfer.

### ***Yaramoko Project***

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 commenced production in February of 2008 on a gold reserve of one 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 is planned to evaluate the mineralized zone.

### ***Bissa Area Projects***

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 Biliga) 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 3<sup>rd</sup> and 4<sup>th</sup> quarters of 2007 to evaluate the remaining gold-in-soil anomalies. Results from these programs were encouraging and further evaluation is warranted.

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 warranted.

#### ***Tao Project***

The Tao permit adjoins the Essakane project on its southern boundary. The Essakane project is owned by Orezone Resources Inc., which was recently acquired by IAMGOLD. The Burkina Faso government has awarded a mining permit to the project and construction has commenced.

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. During January of 2008, mapping and sampling were completed around a prominent artisanal gold site, and assay results are encouraging.

#### ***Solna Project***

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 significant work at Solna was completed in the current year.

Two additional permits – Teyango and Yantera – adjoin Solna to the northeast. The Company completed regional soil geochemistry and mapping programs on these permits in 2007. Additional surface work was undertaken in 2008 and assay results are encouraging.

## **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.

<b>Financial Data for Last Three Fiscal Years</b>			
Fiscal Year Ended	October 2008	October 2007	October 2006
Total revenues	\$Nil	\$Nil	\$Nil
Loss before stock-based compensation and taxes	\$881,852	\$695,573	\$471,860
Stock-based compensation	\$348,777	\$285,047	\$201,667
Future income tax recovery	\$138,288	\$Nil	\$Nil
Net (earnings) loss	\$1,092,341	\$980,620	\$673,527
Weighted average number of shares outstanding	44,025,774	32,887,532	23,307,725
Loss per share	\$0.02	\$0.03	\$0.03
Cash and cash equivalents	\$187,564	\$1,240,443	\$1,379,694
Current assets	\$343,919	\$1,400,551	\$1,459,505
Non-current assets	\$12,044,952	\$7,639,489	\$5,229,840
Total assets	\$12,388,871	\$9,040,040	\$6,689,345
Current liabilities	\$254,219	\$275,522	\$231,263
Total long-term financial liabilities	\$Nil	\$Nil	\$Nil
Non-controlling interest	\$288,758	\$Nil	\$Nil
Total shareholders' equity	\$11,845,894	\$8,764,518	\$6,458,082
Cash dividends declared per share	\$Nil	\$Nil	\$Nil

## **RESULTS OF OPERATIONS**

The loss for the year was \$1,092,341, which compares to a loss of \$980,620 for the previous year. Significant items comprising the current loss include \$96,000 in administration and management fees, \$187,351 in professional fees, \$221,330 for promotion and public relations, \$78,000 for rent and office services, \$125,092 in salaries and wages, \$348,777 in stock-based compensation, a non-cash item, and \$83,847 in travel and accommodation. Cash flows used in operations, before changes in non-cash working capital items, totalled \$872,530 compared to cash of \$676,538 used in operations in the prior year.

Compared to the prior year, general and administrative costs increased to \$1,255,243 from \$1,005,453. In the current year, there were increases in professional fees, promotion and public relations costs, office services costs, and salaries and wages as the Company continued to focus on raising equity capital and aggressively advancing its Burkina Faso properties. Stock-based compensation totalled \$348,777 in 2008 compared to \$285,047 in 2007. The Company received interest income of \$16,053 compared to \$38,794 received in the prior year. The Company incurred no general exploration costs in 2008 (\$27,350 in 2007) as it focused solely on its established properties during the year.

During the year, the Company incurred direct resource property costs of \$4,404,361 as a result of exploration work completed on its Burkina Faso properties. This compares to \$2,411,385 of direct costs incurred in the prior year.

## **SUMMARY OF QUARTERLY RESULTS**

### **Financial Data for the Last Eight Quarters**

Three Months Ended	Oct-08	Jul-08	Apr-08	Jan-08	Oct-07	Jul-07	Apr-07	Jan-07
Total Revenues	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil
Loss before stock-based compensation and taxes	\$183,950	\$238,196	\$248,959	\$210,747	\$182,887	\$169,117	\$177,323	\$166,246
Stock-based compensation	\$68,772	\$68,772	\$149,382	\$61,851	\$64,053	\$124,100	\$47,889	\$49,005
Future income tax recovery	\$Nil	\$Nil	\$Nil	\$138,288	\$Nil	\$Nil	\$Nil	\$Nil
Loss for the period	\$252,722	\$306,968	\$398,341	\$134,310	\$246,940	\$293,217	\$225,212	\$215,251
Loss per share	\$0.01	\$0.01	\$0.01	\$0.00	\$0.01	\$0.01	\$0.01	\$0.01

The Company's administrative expenses have increased as a result of increased exploration activities since mid-2006 when the Company began major exploration programs in Burkina Faso and hired a full-time exploration manager. The quarterly losses presented (before stock-based compensation and taxes) 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 loss for the quarter ended January 31, 2008 includes a future income tax recovery of \$138,288 relating to the recognition of tax loss carry-forwards previously subject to a valuation allowance. The Company moved to reduce all possible operating costs during the fourth quarter of 2008 due to deteriorating market conditions.

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 \$169,000 per quarter for fiscal 2007, and approximately \$218,000 for fiscal 2008.

## **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. Given the recent downturn in the financial and metals markets, the Company has identified certain conditions that cast considerable doubt upon its ability to continue as a going concern (see note 1 to the October 31, 2008 annual audited financial statements). However, management believes that the Company will be able to continue as a going concern through a combination of raising additional equity funds, reducing general and administrative expenses, and slowing the rate of exploration on its mineral properties.

At the end of the year under review, the Company had working capital of \$89,700 compared to working capital of \$1,125,029 at the end of the previous year. The decrease in working capital over the previous year results from cash provided by equity financing activities (\$3,389,219) outweighing cash used in operating activities (\$872,530) and investing activities (\$3,552,018) during the year.

In fiscal 2008, the Company raised approximately \$422,000 more than in fiscal 2007 while it incurred cash operating costs of approximately \$181,000 more than in fiscal 2007 and cash capital expenditures of approximately \$1,155,000 more than in fiscal 2007.

At October 31, 2008, the Company had cash on hand of \$187,564 compared to \$1,240,443 at October 31, 2007. The Company has insufficient working capital to meet its ongoing overhead and exploration requirements (see *Capital Resources and Commitments*), therefore, the Company will have to raise additional equity financing in the ensuing year.

## **CAPITAL RESOURCES AND COMMITMENTS**

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\$110,000 by October 31, 2008. The remaining US\$30,000 payment is due by March 9, 2009.

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\$102,000 by October 31, 2008. The remaining US\$30,000 payment is due by April 9, 2009.

The Company has 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 maintain and 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. As at October 31, 2008, the Company had completed the issuance of the 2,000,000 warrants and 300,000 shares as required by the agreement – 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 in the properties 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 has accrued \$45,000 and is committed to issuing 150,000 shares to an arm's length party as a finder's fee.

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 \$9,000 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, the recent downturn in the financial and metals markets has made raising equity capital more difficult and therefore, 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, 2008 or as at the date hereof.

#### **RELATED PARTY TRANSACTIONS**

Transactions with related parties are disclosed in the annual audited financial statements and include administration and management fees for the year of \$96,000 (2007 - \$96,000) and rent and office services of \$78,000 (2007 - \$48,000) paid to a company with which the company shares directors in common.

#### **DISCUSSION OF FOURTH QUARTER RESULTS**

The fourth quarter of 2008 saw the Company curtail its exploration activities in West Africa incurring \$128,005 in exploration expenditures compared to \$1,007,646 in the third quarter. Due to recent market conditions, the Company reduced direct exploration expenditures to a minimum in order to conserve cash.

General and administrative costs, before stock-based compensation, of \$182,559 incurred in the fourth quarter were lower than costs of \$242,101 incurred in the third quarter primarily due to a reduction in professional fees paid during the quarter.

Cash flows used in operations, before changes in non-cash working capital items, of \$181,489 were lower than the \$235,736 used in the third quarter of 2007.

## **CRITICAL ACCOUNTING ESTIMATES**

### **Mineral Property Costs**

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

Management of the Company regularly reviews the carrying value of each mineral property. Where information and conditions suggest that there has been impairment in their carrying value, management reviews the project for impairment and a write-down to the estimated fair value is recorded in the statement of operations. With the recent downturn in the financial and metals markets, and a decline in the Company's share price around the year end, management considered whether this decline constituted a triggering event that would require management to test its mineral properties for impairment at year end. The price of gold continues to improve and the Company's stock price has appreciated since October 31, 2008. Management therefore concluded that no triggering event occurred and did not assess the fair value of its properties. However, management is satisfied that all of the Company's properties are of merit and warrant further exploration. Management is confident that despite that the ability for junior exploration companies to raise equity financing has been diminished in the current markets, the Company will be able to raise sufficient funds to advance the properties in due course. No impairment charges have been taken on the Company's properties in the current year.

## **CHANGES IN ACCOUNTING POLICIES**

There were no changes in existing accounting policies in the year under review, however, effective November 1, 2007, the Company adopted the following new standards of the CICA:

### **Accounting Changes**

CICA Handbook Section 1506 – *Accounting Changes*. This new standard establishes criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies and estimates, and correction of errors, replacing former CICA Handbook Section 1506.

### **Capital Disclosures**

CICA Handbook Section 1535 – *Capital Disclosures*. This Section requires disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the Company's objectives, policies and processes of managing capital.

### **Financial Instruments – Disclosures and Presentation**

CICA Handbook Sections 3862 and 3863 – *Financial Instruments – Disclosures and Presentation*. These Sections require disclosure of quantitative and qualitative information in their financial statements that enable users to evaluate the significance of financial instruments for the entity's financial position and performance; and the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and management's objectives, policies and procedures for managing such risks. Disclosure of the measurement basis used and the criteria used to determine classification for different types of instruments is also required.

## **Going Concern**

CICA Handbook Section 1400 – *General Standards on Financial Statement Presentation*. This Section requires management to assess the Company's ability to continue as a going concern and to disclose any uncertainties arising from such an assessment.

The adoption of these new standards had no material effect on the Company's financial statements.

## **FINANCIAL INSTRUMENTS**

The Company's financial instruments consist of cash, accounts receivable, and accounts payable and accrued liabilities. Cash and cash equivalents are classified as Assets Held-For-Trading and carried at fair value. All of the Company's other financial instruments are carried at amortized cost. The Company has no speculative financial instruments, derivatives, forward contracts, or hedges.

All of the Company's Canadian cash is held in an interest bearing account at a major Canadian bank and such balances earn interest at market rates. The Company also maintains cash in the currency of Francophone West Africa ("CFA"), which it uses to fund its foreign projects. The cash balances and payables that are denominated in CFA are subject to currency risk due to fluctuations in the exchange rate between the Canadian dollar and the CFA. To manage this currency risk, the Company maintains only the minimum amount of foreign cash necessary to fund its ongoing exploration expenditures. As at October 31, 2008, the Company had the equivalent of \$70,642 in CFA. Accounts payable are settled in a timely manner.

It is management's opinion that the Company is not exposed to any significant credit, interest rate, liquidity or market risks in respect of these financial instruments. The Company's policies and processes of managing all risks associated with its financial instruments have not changed during the current period.

## **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, 2008 annual 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 (Note 4).

## **OUTSTANDING SHARES**

As at October 31, 2008, the Company had 48,563,341 (diluted – 60,167,546) common shares issued and outstanding versus 40,243,030 (diluted – 55,449,155) at October 31, 2007. The increase over 2007 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 1,570,000 shares upon the exercise of warrants, 485,000 shares upon the exercise of options, the final tranche of 50,000 shares under the Rambo option agreement, and the initial tranche of 300,000 shares under the Golden Star agreement (see *Capital Resources and Commitments*). The Company also completed two private placements issuing a total of 5,915,311 shares. The increase in the number of diluted shares since October 31, 2007 also includes the issuance of 2,000,000 warrants to Golden Star, the granting of 330,000 stock options to investor relations consultants, the granting of 1,010,000 stock options to directors, officers, employees, and consultants, the issuance of 3,964,205 warrants under two private placements, and the expiry of 8,851,125 warrants during the year.

Issued and diluted shares outstanding as at the date hereof are 48,963,341 and 60,952,546 respectively, which reflect the subsequent issuance of 400,000 shares under the Golden Star agreement, and the granting of 730,000 incentive stock options – see *Subsequent Events*.

## **SUBSEQUENT EVENTS**

Subsequent to 31 October 2008, the Company issued 400,000 shares to Golden Star pursuant to the Goulagou and Rounga option agreement. The Company also granted 730,000 five-year options at an exercise price of \$0.205 per share and re-priced 5,295,000 previously granted stock options from prices ranging from \$0.40 to \$0.26 per share to a new exercise price of \$0.205 per share. The re-pricings are subject to regulatory approval and in the case of insiders, shareholder approval. Further details of these items are included in note 13 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. The company also holds month-to-month agreements for investor relations services from Ascenta Capital Partners Inc. in Vancouver, BC, Mau Capital Management, 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.

## **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”*

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