

Consolidated Financial Statements

Mano River Resources Inc.

For Year Ended December 31, 2008

(Stated in U.S. Dollars)

Statement of directors' responsibilities and approval of the annual financial statements

Management's Responsibility for Consolidated Financial Statements

The accompanying consolidated financial statements of Mano River Resources Inc are the responsibility of management and have been approved by the Board of Directors of the Company. The consolidated financial statements include some amounts that are based on management's best estimate using reasonable judgment.

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles.

Management maintains an appropriate system of internal controls to provide reasonable assurance that transactions are authorised, assets safeguarded and proper records are maintained.

The Audit Committee of the Board of Directors has met with the Company's external auditors to review the scope and results of the annual audit and to review the consolidated financial statements and related financial reporting matters prior to submitting the consolidated financial statements to the Board of Directors for approval.

The consolidated financial statements have been audited by BDO Stoy Hayward LLP, Chartered Accountants, and their report follows.

(Signed) LUIS G. CABRITA da SILVA, DIRECTOR

Luis G. Cabrita da Silva

(Signed) DAVID B. EVANS, DIRECTOR

David B. Evans

Report of the independent auditors to the Shareholders of Mano River Resources Inc

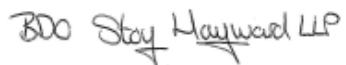
Auditors' Report to the Shareholders of Mano River Resources Inc

We have audited the consolidated balance sheet of Mano River Resources Inc as at 31 December 2008 and the consolidated statement of income and other comprehensive income, shareholders' equity and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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 these consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in these consolidated 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 31 December 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The consolidated financial statements as at 31 December 2007 and for the eleven month period then ended were audited by other auditors, who expressed an opinion without reservation on those statements in their report dated 29 April 2008.



BDO Stoy Hayward LLP
Chartered Accountants
London, UK
29 April 2009

Mano River Resources Inc.

Consolidated Balance Sheet

As at December 31, 2008

(Stated in U.S. dollars)

	Year ended December 31, 2008	Restated (Note 2) Year ended December 31, 2007
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	8,877,906	4,100,187
Amounts receivable	207,044	296,591
Due from joint venture partners (Note 6)	27,495	112,281
	9,112,445	4,509,059
Non Current Assets		
Investments (Note 5 and 7)	8,093,775	184,090
Property, plant and equipment (Note 8)	3,896,933	2,002,120
Resource properties (Note 9)	6,330,092	8,888,592
Deferred exploration costs (Note 9)	27,316,442	29,918,050
Total Assets	54,749,687	45,501,911
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	1,148,659	1,010,169
Interest payable on convertible debenture (Note 11)	49,928	181,296
Due to related parties (Note 14)	149,660	174,367
Due to joint venture partners (Note 6)	824,243	274,350
	2,172,490	1,640,182
Convertible debenture (Note 11)	2,048,638	2,260,738
Total Liabilities	4,221,128	3,900,920
Non-controlling interest (Note 15)	9,011,297	7,147,317
Shareholders' equity		
Share capital (Note 12)	37,963,124	34,596,114
Equity component of convertible debenture (Note 11)	2,637,802	2,637,802
Warrant reserve	548,000	-
Contributed surplus	4,488,976	3,181,412
Accumulated other comprehensive loss	(21,755)	(21,755)
Deficit accumulated during development stage	(4,098,885)	(5,939,899)
Total shareholders' equity	41,517,262	34,453,674
Total Liabilities, non-controlling interest and shareholders' equity	54,749,687	45,501,911
Nature of operations and continuation of business (Note 1)		
Approved by the Board		

(Signed) LUIS G. CABRITA da SILVA, DIRECTOR

Luis G. Cabrita da Silva

(Signed) DAVID B. EVANS, DIRECTOR

David B. Evans

The accompanying notes are in integral part of these consolidated financial statements

Mano River Resources Inc.

Consolidated Statements of Income/ (Loss) and Comprehensive Income/ (Loss) For the year ended December 31, 2008

(Stated in U.S. dollars)

	Year ended Dec. 31, 2008	Restated (Note 2) Eleven months ended Dec. 31, 2007
	\$	\$
Expenses		
Administrative and office expenses	1,044,292	63,236
Directors' fees	297,409	122,789
Foreign exchange loss	304,215	226,868
Management fees	658,314	283,753
Interest on convertible debenture (Note 11)	983,242	181,296
Professional fees	1,938,650	958,629
Stock-based compensation	1,455,625	2,053,887
Transfer agent and filing fees	79,229	99,560
Project impairment (Note 16)	11,250,591	-
Depreciation	44,289	353,315
	18,055,856	4,343,333
Dilution gain on shares issued by controlled company (Note 15)	(7,157,964)	(6,207,005)
Gain on disposal of assets (Note 5)	(7,762,899)	-
Unrealised foreign exchange (gain)/loss on convertible debenture	(831,873)	168,130
Interest Income	(74,484)	(148,041)
(Loss)/Income before non-controlling interest	(2,228,636)	1,843,583
Non-controlling interest	4,069,650	897,112
Income and comprehensive income	1,841,014	2,740,695
Basic and diluted income per share	0.006	0.009
Weighted average number of shares outstanding	309,668,741	297,256,188

The accompanying notes are in integral part of these consolidated financial statements

Mano River Resources Inc.

Consolidated Statements of Cash Flow

For the year ended December 31, 2008

(Stated in U.S. dollars)

	Year ended Dec. 31, 2008 \$	Restated (note 2) Eleven months ended Dec. 31, 2007 \$
Operating Activities		
Income and comprehensive income	1,841,014	2,740,695
Items not involving cash:		
Dilution gain on shares issued by controlled company	(7,157,964)	(6,207,005)
Non-controlling interest	(4,069,650)	(897,112)
Gain on sale of assets	(7,762,899)	-
Stock-based compensation	1,455,625	2,053,887
Interest income	(74,484)	-
Interest on convertible debentures	983,242	181,296
Unrealised foreign exchange (gain)/loss on convertible debt	(831,873)	190,003
Unrealised foreign exchange (gain)/loss	(90,730)	-
Project impairment (Note 16)	11,250,591	-
Depreciation of fixed assets	44,289	353,315
Changes in Working Capital:		
Amounts receivable and prepaid expenses	174,333	(207,727)
Due to joint venture partners	-	(353,259)
Accounts payable and accrued liabilities	2,794,397	107,065
	(1,444,109)	(2,038,842)
Investing Activities		
Deferred exploration expenditures	(10,402,580)	(7,611,481)
Interest income	74,484	-
Net proceeds on sale of assets	8,333,333	-
Purchase of capital assets	(1,990,279)	(1,649,312)
	(3,985,042)	(9,260,793)
Financing Activities		
Issuance of share capital (net of costs)	3,915,010	437,836
Convertible debentures	-	4,641,860
Cash (disposed of) /acquired on consolidation of subsidiary	(585,768)	1,571,438
Proceeds from issue of shares of subsidiary	7,311,665	7,522,508
Interest paid on convertible debenture	(494,837)	-
Due to related parties	(24,707)	40,660
	10,121,363	14,214,302
Impact of foreign exchange on cash balance	85,507	-
Net cash inflow	4,777,719	2,914,667
Cash, Beginning of Period	4,100,187	1,185,520
Cash, End of Period	8,877,906	4,100,187

The accompanying notes are in integral part of these consolidated financial statements.

Mano River Resources Inc.

Consolidated Statements of Shareholders' Equity

For the year ended December 31, 2008

(Stated in U.S. dollars)

	Common shares		Contributed surplus \$	Warrant Reserve \$	Share subscriptions \$	Equity component of convertible debenture \$	Deficit accumulated in the development stage \$	Accumulated other comprehensive deficit \$	Total shareholders equity \$
	Number	Amount \$							
Balance as at January 31, 2007	293,120,818	34,158,278	1,714,462	-	788,461	-	(8,680,594)	(21,755)	27,958,852
Net income for the period	-	-	-	-	-	-	4,017,642	-	4,017,642
Cash transactions:									
Equity component of convertible debenture	-	-	-	-	-	2,637,802	-	-	2,637,802
Exercise of options at \$0.093	4,690,000	437,836	-	-	-	-	-	-	437,836
	4,690,000	437,836	-	-	-	2,637,802	-	-	3,075,638
Non-cash transactions:									
Share subscription	-	-	-	-	(788,461)	-	-	-	(788,461)
Stock-based compensation	-	-	190,003	-	-	-	-	-	190,003
Balance at December 31, 2007 as originally stated	297,810,818	34,596,114	1,904,465	-	-	2,637,802	(4,662,952)	(21,755)	34,453,674
Restatement of stock-based compensation	-	-	1,863,884	-	-	-	(1,863,884)	-	-
Non-controlling interest in stock-based compensation	-	-	(586,937)	-	-	-	586,937	-	-
Balance at December 31, 2007 as revised (note 2)	297,810,818	34,596,114	3,181,412	-	-	2,637,802	(5,939,899)	(21,755)	34,453,674
Income for the year	-	-	-	-	-	-	1,841,014	-	1,841,014
Shares issued on private placement	20,000,000	3,367,010	-	548,000	-	-	-	-	3,915,010
Stock-based compensation	-	-	1,455,625	-	-	-	-	-	1,455,625
Non-controlling interest in stock-based compensation	-	-	(148,061)	-	-	-	-	-	(148,061)
Balance at December 31, 2008	317,810,818	37,963,124	4,488,976	548,000	-	2,637,802	(4,098,885)	(21,755)	41,517,262

The accompanying notes are in integral part of these consolidated financial statements.

Mano River Resources Inc.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2008

(Stated in U.S. dollars)

1. Nature of operations

Mano River Resources Inc. ("Mano River" or "the Company") commenced operations on July 10, 1996 and is engaged in the acquisition, exploration and development of gold, iron ore and diamond properties. The Company is in the development stage and has no source of cash flows other than loans from related parties, convertible debentures or equity offerings.

The Company has proven reserves in respect on one of the gold projects and anticipates further operating losses as exploration continues across its property portfolio.

2. Basis of preparation

These financial statements have been prepared in accordance with generally accepted accounting principles in Canada.

These consolidated financial statements are prepared on a going concern basis which assumes that the Company will be able to realise assets and discharge liabilities in the normal course of business. The Company's ability to continue on a going concern basis depends on its ability to successfully raise additional financing. If the Company cannot obtain additional financing it may be forced to realise its assets at amounts significantly lower than the current carrying value.

Uncertainty also exists with respect to the recoverability of the carrying value of certain resource properties. The ability of the Company to realise its investment in resource properties is contingent upon resolution of the uncertainties and continuing confirmation of the Company's title to the resource properties.

In August 2007, the Company changed its fiscal year end from January 31, to December 31, effective as of December 31, 2007. Therefore the prior period presented is for the eleven months ended December 31, 2007.

Prior year adjustment

The prior year figures have been restated to reflect the stock-based compensation granted in Stellar Diamonds Ltd, a subsidiary of the company, during the eleven months ended December 31, 2007 that was not included in the consolidated financial statements for that period. The stock-based compensation is the result of 2,600,000 share options granted by Stellar to Directors and key employees (see note 12(d)). These options were valued using the Black-Scholes model at \$1,863,884. The restatement has had the following impact on the figures for the period ending December 31, 2007;

	\$
Consolidated Statement of Income and Comprehensive Income	
Stock-based compensation	(1,863,884)
Non-controlling interest	587,123
Income and comprehensive income	<u>(1,276,761)</u>
Consolidated Balance Sheet	
Contributed surplus	1,276,761
Retained earnings	(1,276,761)

The effect of this restatement was to reduce the earnings per share for the eleven month period ending December 31, 2007 from the previously reported \$0.014 to the revised \$0.009.

Mano River Resources Inc.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2008

(Stated in U.S. dollars)

3. Significant accounting policies

(a) Principles of consolidation

These financial statements include the accounts of Mano River Resources Inc. and its principal subsidiaries, Mano Gold Investments Ltd. (formerly Mano River Resources Ltd.) including sub-group Mano River Iron Ore Holdings Ltd. ("MARIOH"), and Mano Diamonds Ltd.

Company	Place of incorporation	Percentage ownership
Mano Gold Investments Limited (formerly Mano River Resources Limited) and its subsidiaries:	British Virgin Islands	100.0%
Golden Limbo Rock Resources Limited and its subsidiary:	Tortola, British Virgin Islands	93.5%
Golden Limbo Rock Resources SA	Conakry, Guinea	100.0%
Golden Leo Resources Limited and its branch:	Tortola, British Virgin Islands	98.8%
Golden Leo Resources Limited (Sierra Leone Branch)	Freetown, Sierra Leone	100.0%
North West Minerals Ltd.	Mahe, Republic of Seychelles	100.0%
Mano Gold (Liberia) Ltd. (formerly Lofa Goldiam, Inc.) and its subsidiary:	Tortola, British Virgin Islands	100.0%
Bea Mountain Mining Corporation	Monrovia, Liberia	100.0%
Mano Diamonds Limited and its subsidiaries:	Tortola, British Virgin Islands	100.0%
Friendship Diamonds Guinée S.A.	Conakry, Guinea	70.0%
Stellar Diamonds Limited and its subsidiaries:	Guernsey	59.6%
Diamants du Congo Oriental Ltd.	Tortola, British Virgin Islands	100.0%
Western Mineral Resources Corporation Inc. and its subsidiary:	Tortola, British Virgin Islands	100.0%
Western Mineral Resources Corp. (Liberia)	Monrovia, Liberia	100.0%
Alpha Minerals Inc.	Monrovia, Liberia	100.0%
Weasua Diamonds Ltd and its subsidiary:	Mahe, Republic of Seychelles	50.0%
Kpo Resources Inc.	Monrovia, Liberia	100.0%
Mano Diamonds (Liberia) Inc.	Monrovia, Liberia	100.0%
Basama Diamonds Ltd and its branch:	Mahe, Republic of Seychelles	49.0%
Basama Diamond Ltd Sierra Leone Branch	Freetown, Sierra Leone	100.0%
Sierra Diamonds Limited and its branch:	Tortola, British Virgin Islands	100.0%
Sierra Leone Diamonds Limited Sierra Leone Branch	Freetown, Sierra Leone	100.0%
Mano Diamonds Sierra Leone Ltd.	Freetown, Sierra Leone	100.0%
Guinean Diamond Corporation Ltd. and its subsidiaries	Mahe, Republic of Seychelles	100.0%
Mano River Diamants Guinee S.A.	Conakry, Guinea	100.0%
Resources Mandala Guinée S.A. R.L.	Conakry, Guinea	100.0%
East Sierra Diamonds Ltd and its branch:	Mahe, Republic of Seychelles	100.0%
East Sierra Diamonds Ltd. Sierra Leone Branch	Freetown, Sierra Leone	100.0%
Mano River Iron Ore Holdings Ltd. and its subsidiary:		100.0%
Severstal Liberia Iron Ore Ltd. and its subsidiaries:	Tortola, British Virgin Islands	44.3%
Mano River Resources Inc. (UK Branch)	United Kingdom	100.0%

The shares not legally owned by the Company in its subsidiaries:

Golden Limbo Rock Resources Limited – 6.5%;

Friendship Diamonds Guinée S.A. – 30.0%;

are held by a third party company. This third party has no beneficial interest in the shares and is holding the shares for the Company's benefit until the Company and the third party agree on their ultimate distribution. As the Company retains the beneficial interest in these shares no non-controlling interest exists at December 31, 2008 in respect of these shares.

Mano River Resources Inc.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2008

(Stated in U.S. dollars)

3. Significant accounting policies (continued)

(a) Principles of consolidation (continued)

Business acquisitions are accounted for under the purchase method and the results of the operations of these businesses are included in these consolidated financial statements from the acquisition date until the date of disposal or loss of control.

Severstal Liberia Iron Ore Ltd. (SLIO) previously African Iron Ore Group Ltd. was 80% owned by MARIOH. One-half of the remaining 20% was held by Eastbound Resources Ltd., a company controlled by G Pas, a director of the Company. During the year MARIOH reduced its holding in SLIO to 44.3% (see note 5). SLIO is consolidated until the date of the reduction in the Company's shareholding and subsequently accounted for using the equity method of accounting and included in investments in the balance sheet.

Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Company's share of its associates' post-acquisition profits or losses is recognised in the consolidated statement of income. Cumulative post-acquisition movements are adjusted against the carrying amount of investment. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognise further losses, unless it has unsecured obligations or made payments on behalf of the associate.

The financial statements of entities which are controlled by the Company through voting equity interests, referred to as subsidiaries, are consolidated. Variable interest entities ("VIEs"), which include, but are not limited to, special purpose entities, trusts, partnerships, and other legal structures, as defined by the Accounting Standards Board in Accounting Guideline ("AcG") 15, *Consolidation of Variable Interest Entities* ("AcG 15"), are entities in which equity investors do not have the characteristics of a "controlling financial interest" or there is not sufficient equity at risk for the entity to finance its activities without additional subordinated financial support. VIEs are subject to consolidation by the primary beneficiary who will absorb the majority of the entities' expected losses and/or expected residual returns. As of December 31, 2008, the Company does not hold an interest in any VIEs.

All intercompany balances and transactions have been eliminated upon consolidation.

(b) Non-controlling interests

Non-controlling interests exist in less than wholly-owned subsidiaries of the Company and represent the outside interest's share of the carrying values of the subsidiaries. When the subsidiary company issues its own shares to outside interests, a dilution gain or loss arises as a result of the difference between the Company's share of the proceeds and the carrying value of the underlying equity.

(c) Cash

Cash and cash equivalents include cash, and those short-term money market instruments that are readily convertible to cash with an original term of less than 90 days.

Mano River Resources Inc.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2008

(Stated in U.S. dollars)

3. Significant accounting policies (continued)

(d) **Property, plant and equipment**

Property, plant and equipment is comprised of office furniture, automobiles and various equipment used in the field, that are initially recorded at cost and depreciated at 30% per annum on a declining balance basis. Property, plant and equipment in the course of construction are not depreciated until it is commissioned and available for use.

(e) **Long-term investments**

Investments are recorded at cost, subject to a provision for any impairment that is determined to be other than temporary.

(f) **Resource properties and deferred exploration costs**

The Company follows the method of accounting for its mineral properties whereby all costs related to acquisition, exploration and development are capitalised by property. The carrying value of pre-production and exploration properties is reviewed periodically and either written off when it is determined that the expenditures will not result in the discovery of economically recoverable mineral reserves or transferred to producing mining property, plant and equipment when commercial development commences and amortised on a unit of production basis over the life of the related ore reserves.

The recoverability of amounts shown for pre-production and exploration properties is dependent upon the discovery of economically recoverable mineral reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to finance the development of the properties and on the future profitable production or proceeds from the disposition thereof. Management reviews these factors and considers whether any other events or circumstances indicate that the carrying amount of an asset may not be recoverable. If there is an indication that the carrying amount may not be recoverable future cash flows expected to result from the use of the asset and its disposition must be estimated. If the undiscounted estimated future cash flow is less than the carrying amount of the asset, impairment is recognised and charged to the consolidated income statement.

The success and ultimate recovery of the Company's exploration costs of its mineral exploration properties is influenced by significant financial risks, legal and political risks, commodity prices, and the ability of the Company to discover economically recoverable mineral reserves and to bring such reserves into future profitable production.

(g) **Measurement uncertainty**

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 date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant balances and transactions affected by management estimates include the valuation of investments, resource properties, deferred exploration costs, asset retirement obligations, future income tax, stock-based compensation as well as the recovery of assets, fair value of convertible debt and the allocation of proceeds between share capital and warrants. Actual results could differ from those estimates.

The amounts used to estimate fair values of stock options and warrants issued are based on estimates of future volatility of the Company's share price, expected lives of the options, expected dividends to be paid by the Company and other relevant assumptions.

Mano River Resources Inc.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2008

(Stated in U.S. dollars)

3. Significant accounting policies (continued)

(g) **Measurement uncertainty (continued)**

By their nature, these estimates are subject to measurement uncertainty and the effect of changes in such estimates on the consolidated financial statements of future periods could be significant.

In February 2008, the CICA issued Section 1000. The standard intends to reduce the differences with International Financial Reporting Standards ('IFRS') in the accounting for intangible assets and results in closer alignment with US GAAP. Under current Canadian standards, more items are recognised as assets than under IFRS or US GAAP. This standard will be effective for fiscal years beginning on or after 1 October 2008

(h) **Income/(Loss) per share**

The basic income/(loss) per share is computed by dividing the income/(loss) and comprehensive income/(loss) by the weighted average number of common shares outstanding during the year. The diluted income/(loss) per share reflects the potential dilution by including other common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the year.

(i) **Foreign currency translation**

The functional currency of the Company and all subsidiaries is US Dollars with the exception of the UK branch which has a functional currency of Pounds Sterling.

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate in effect at the balance sheet date. Non-monetary assets and liabilities and revenue and expenses arising from foreign currency transactions are translated at the exchange rate in effect at the date of the transaction. Exchange gains or losses arising upon translation are included in the consolidated income statement.

Integrated foreign subsidiaries and associates are accounted for under the temporal method. Under this method, monetary assets and liabilities are translated at the exchange rate in effect at the balance sheet date. Non-monetary assets and liabilities are translated at historical rates. Revenue and expenses are translated at actual or average rates for the period. Exchange gains or losses arising from the translation are included in the consolidated income statement.

(j) **Stock-based compensation**

The Company follows Canadian Institute of Chartered Accountants Handbook Section 3870, *Stock-Based Compensation*, which requires that all stock-based awards made to non-employees and employees be measured and recognised using a fair value based method. Accordingly, the fair value of options at the date of grant is accrued and charged to the consolidated income statement, with an offsetting credit to contributed surplus, on a straight-line basis over the vesting period.

Mano River Resources Inc.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2008

(Stated in U.S. dollars)

3. Significant accounting policies (continued)

(k) **Joint ventures**

The Company has entered into certain agreements with third parties to develop exploration projects that are commonly referred to as joint ventures but do not necessarily meet the requirements to apply joint venture accounting. Where this is the case the Company recognises its share of the expenditure on the project and any liabilities arising in respect of the project. Joint venture agreements that do meet the definition of a joint venture under section 3055 are proportionally consolidated.

(l) **Income taxes**

The Company accounts for income taxes whereby future income tax assets and liabilities are computed based on differences between the carrying amount of assets and liabilities on the balance sheet and their corresponding tax values using the enacted income tax rates at each balance sheet date. Future income tax assets also result from unused loss carryforwards and other deductions. The valuation of future income tax assets is reviewed annually and adjusted, if necessary, by use of a valuation allowance to reflect the estimated realisable amount. Future income tax assets are not recognised to the extent the recoverability of such assets is not considered more likely than not.

(m) **Comprehensive income**

Section 1530, *Comprehensive Income*, is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that would not normally be included in net loss such as unrealised gains or losses on available-for-sale investments, gains or losses on certain derivative instruments and foreign currency gains or losses related to self-sustaining operations. The Company's comprehensive income, components of other comprehensive income, and accumulated other comprehensive income are presented in the statements of comprehensive income and the statements of shareholders' equity. Amounts previously recorded in "cumulative translation adjustment" have been reclassified to "accumulated other comprehensive income".

(n) **Asset retirement obligations**

The fair value of the liability of an asset retirement obligation is recorded when it is legally incurred and the corresponding increase to the mineral property is depreciated over the life of the mineral property. The liability is adjusted over time to reflect an accretion element considered in the initial measurement at fair value and revisions to the timing or amount of original estimates and for draw-downs as asset retirement expenditures are incurred. As at 31 December 2008 and 2007, the Company has not recognised any asset retirement obligations.

(o) **Financial instruments**

The Company's cash and cash equivalents have been classified as held for trading and are recorded at fair value. All other financial instruments will be recorded at cost or amortised cost, subject to impairment reviews. Other financial instruments include amounts receivable, amounts payable, amounts due to related parties and convertible debentures.

Mano River Resources Inc.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2008

(Stated in U.S. dollars)

3. Significant accounting policies (continued)

- (p) **Adoption of new accounting standards and accounting pronouncements**
Section 3855, *Financial Instruments - Recognition and Measurement*, establishes standards for classification, recognition, measurement, presentation and disclosure of financial instruments (including derivatives) and non-financial derivatives in the financial statements. This standard requires the Company to classify all financial instruments as either held-to-maturity, available-for-sale, held-for-trading, loans and receivables or other financial liabilities. Financial assets and liabilities held-for-trading will be measured at fair value with gains and losses recognised in net income. Financial assets held-to-maturity, loans and receivables and financial liabilities other than those held-for-trading will be measured at amortized cost. Available-for-sale investments are measured at fair value with unrealised gains and losses recognised in other comprehensive income. The standard also permits the designation of any financial instrument as held-for-trading upon initial recognition.

The Company has implemented the following classification of its financial assets and financial liabilities:

- Cash is classified as held-for-trading;
- Amounts receivables, due from joint venture partners are classified as "loans and receivables" and are measured at amortized cost using the effective interest rate method. At December 31, 2008 and 2007, the recorded amount approximates fair value;
- Long-term investments are classified as "available-for-sale"; and
- Short-term and long-term liabilities, accounts payable and due to joint venture partners are classified as "other financial liabilities" and are measured at amortized cost using the effective interest rate method. At December 31, 2008 and 2007, the recorded amount approximates fair value.

Transaction costs directly attributable to the acquisition or issue of a financial asset or financial liability are included in the carrying amount of the financial asset or financial liability, and are amortized to income using the effective interest rate method.

Derivatives may be embedded in other financial instruments (host instruments). Embedded derivatives are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host instrument. The terms of the embedded derivative are the same as those of a stand-alone derivative, and the combined contract is not classified as held for trading. These embedded derivatives are measured at fair value on the balance sheet with subsequent changes in fair value recognised in the consolidated income statement. The Company adopted the standard, with February 1, 2007 as its transition date for embedded derivatives due to the change in accounting year end as disclosed in note 1. The Company has not identified any embedded derivatives that are required to be accounted for separately from the host contract.

Mano River Resources Inc.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2008

(Stated in U.S. dollars)

3. Significant accounting policies (continued)

(q) **Recent accounting pronouncements**

- (a) *Section 1400, General Standards of Financial Statement Presentation*
In June 2007, the CICA amended Section 1400 to include requirements to assess an entity's ability to continue as a going concern and disclose any material uncertainties that cast doubt on its ability to continue as a going concern. This new requirement is effective January 1, 2008. The new disclosures resulting from this requirement are set out in note 2.
- (b) *Financial instrument disclosures*
As of January 1, 2008, the Company was required to adopt two new CICA standards, Section 3862, *Financial Instruments - Disclosures*, and Section 3863, *Financial Instruments - Presentation*, which replaced Section 3861, *Financial Instruments - Disclosure and Presentation*. The new disclosure standard increases the emphasis on the risks associated with both recognised and unrecognised financial instruments and how those risks are managed. The new presentation standard carries forward the former presentation requirements. The new financial instruments presentation and disclosure requirements were issued in December 2006. The new disclosures resulting from this requirement are set out in note 18.
- (c) *Capital disclosures*
As of January 1, 2008, the Company was required to adopt CICA Section 1535, *Capital Disclosures*, which requires companies to disclose their objectives, policies and processes for managing capital. In addition, disclosures include whether companies have complied with externally imposed capital requirements. The new capital disclosure requirements were issued in December 2006. The new disclosures resulting from this requirement are set out in note 19.
- (d) *Goodwill and intangible assets*
In February 2008, the CICA issued Section 3064, *Goodwill and Intangible Assets*, replacing Section 3062, *Goodwill and Other Intangible Assets*, and Section 3450, *Research and Development Costs*. The new pronouncement establishes standards for the recognition, measurement, presentation, and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. This Section is effective in the first quarter of 2009, and the Company is currently evaluating the impact of the adoption of this new Section on its consolidated financial statements.

Mano River Resources Inc.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2008

(Stated in U.S. dollars)

3. Significant accounting policies (continued)

(e) *Business Combination, Consolidated Financial Statements and non-controlling interest*

In January 2009, the CICA issued Handbook Sections 1582 – Business Combinations, 1601 – Consolidated Financial Statements and 1602 – Non-controlling Interests which replace CICA Handbook Sections 1581 – Business Combinations and 1600 – Consolidated Financial Statements. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under International Financial Reporting Standards. Section 1582 is applicable for the Company's business combinations with acquisition dates on or after January 1, 2011. Early adoption of this Section is permitted. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for the Company's interim and annual consolidated financial statements for its fiscal year beginning January 1, 2011. Early adoption of this Section is permitted. If the Company chooses to early adopt any one of these Sections, the other two sections must also be adopted at the same time.

(f) *Convergence with International Financial Reporting Standards*

In February 2008, the CICA Accounting Standards Board ("AcSB") confirmed that Canadian GAAP for publicly accountable enterprises will be converged with IFRS effective in calendar year 2011, with early adoption allowed starting in calendar year 2009. The conversion to IFRS will be required, for the Company, for interim and annual financial statements beginning on January 1, 2011. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences in recognition, measurement and disclosures. In the period leading up to the conversion, the AcSB will continue to issue accounting standards that are converged with IFRS such as IAS 2, Inventories, and IAS 38, Intangible assets, thus mitigating the impact of adopting IFRS at the mandatory transition date.

The Company is currently evaluating the impact of the adoption of IFRS on its consolidated financial statements. In the transition to IFRS, the Company must apply "IFRS 1 - First Time Adoption of IFRS" which sets out the rules for first time adoption. In general, IFRS 1 requires an entity to comply with each IFRS effective at the reporting date for the entity's first IFRS financial statements. This requires that an entity apply IFRS to its opening IFRS balance sheet as at January 1, 2010 (i.e. the balance sheet prepared at the beginning of the earliest comparative period presented in the entity's first IFRS financial statements).

Within IFRS 1 there are exemptions, some of which are mandatory and some of which are elective. The exemptions provide relief for companies from certain requirements in specified areas when the cost of complying with the requirements is likely to exceed the resulting benefit to users of financial statements. IFRS 1 generally requires retrospective application of IFRSs on first-time adoptions, but prohibits such application in some areas, particularly when retrospective application would require judgments by management about past conditions after the outcome of a particular transaction is already known.

Mano River Resources Inc.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2008

(Stated in U.S. dollars)

3. Significant accounting policies (continued)

- (f) *Convergence with International Financial Reporting Standards(continued)*
On transition, management must apply the mandatory exemptions and make the determination as to which elective exemptions will be made under IFRS 1. Management is currently preparing its timetable for transition and will undertake a high level analysis of the financial statement areas to determine which elections will be taken. After this high level analysis is completed Mano will be in a better position to assess the impact IFRS will have on the financial statements.

Management continues to assess the impact that IFRS will have on the aspects of the business including accounting policy, financial reporting, information technology and communications perspective. Given that the Company is currently in the development phase, accounting policy determinations that will be made leading in the Company's production phase, such as revenue recognition, deferred stripping and diamond inventory costing to name a few examples, will be made during or post transition to IFRS. Management is also currently reviewing accounting systems and assessing the changes that will be required and the strategies that will be employed. Communication and training strategies are also being developed by management.

4. Investments in Stellar Diamonds Limited

During the eleven months ended December 31, 2007 Mano River completed the launch of a new diamond company, Stellar Diamonds Limited ("Stellar"), to maximize the value of its diamond properties. In exchange for the diamond properties which had a book value of \$8,276,081, the Company received 19,239,541 new shares in Stellar. The exchange was recorded at book value as it was a transaction between companies under common control. The Company also recognised a recovery relating to the sale of 5.93% of its interest on consolidation of Stellar in the amount of \$1,084,825. In addition, during the period Stellar entered into private placements with unrelated parties and issued 8,843,762 shares for a total value of \$15,000,029, resulting in a dilution gain in the amount of \$6,207,005, which was recognised in the consolidated statements of income for the eleven months ended December 31, 2007. The following is a summary of the agreements entered into:

- (a) Pursuant to a share purchase agreement between Stellar Diamonds and Mano Diamonds Limited ("Mano Diamonds"), a wholly-owned subsidiary of the Company, Mano Diamonds transferred its diamond interests in Liberia and Sierra Leone including a 49% interest in the Kono project, to Stellar Diamonds, and in consideration Stellar Diamonds issued 15,442,021 of its shares to Mano Diamonds;
- (b) Pursuant to a second share purchase agreement among Stellar Diamonds, Mano Diamonds and two arm's length parties, Searchgold Resources Inc. ("Searchgold") and Siafa Koulibaly ("Koulibaly"), Searchgold, Mano Diamonds and Koulibaly transferred their Guinean diamond interests consisting of a 100% interest in the Bourou/Mandala alluvial property to Stellar Diamonds, and in consideration Stellar Diamonds issued 2,672,629 of its shares to Searchgold, 2,678,117 of its shares to Mano Diamonds, and 137,199 of its shares to Koulibaly. The exchange was recorded at book value as it was a transaction between companies under common control; and

Mano River Resources Inc.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2008

(Stated in U.S. dollars)

4. Investments in Stellar Diamonds Limited (continued)

- (c) Pursuant to an assignment agreement between the Company and Stellar Diamonds, the Company transferred certain contractual rights to a Guinean diamond exploration database that it had obtained under an agreement with Societe Debsam Guinee Sarl (a subsidiary of DeBeers) dated September 7, 2007 to Stellar Diamonds and in consideration Stellar Diamonds issued up to 1,119,403 of its shares to the Company. The exchange was recorded at book value as it was a transaction between companies under common control.

During the year ended December 31, 2008, Stellar entered into additional private placements and issued 21,054,456 shares for a total value of \$10,689,492, resulting in a dilution gain in the amount of \$1,231,793, which was recognised in the consolidated statements of income for the year ended December 31, 2008. Stellar is a 59.6% owned subsidiary controlled by the Company and the results of operations and assets and liabilities have been consolidated with the accounts of the Company with effect from the date of acquisition.

5. Investments in Severstal Liberia Iron Ore ("SLIO")

During the year ended December 31, 2008, Mano River entered into an agreement (The SPSA) with OAO Severstal Resources, The SPSA provides for the investment by an indirect wholly-owned subsidiary of Severstal of 25% of the issued and outstanding shares of SLIO for \$12.5M from Mano River Iron Ore Holdings Ltd., a wholly-owned subsidiary of Mano, and a further 20% of the issued and outstanding shares of SLIO from the minority interest parties in SLIO, for \$10.0M. It also provides for the subscription by Severstal for new ordinary shares in SLIO for an aggregate price of \$15m. These acquisitions and the subscription will give the indirectly wholly-owned Severstal subsidiary a 61.5% stake in SLIO on completion of the SPSA.

During the year Severstal completed the acquisition of 16.67% of the shares from Mano River Iron Ore Holdings and 13.33% of the shares from the minority interests as well as completing the \$15M subscription for an additional 30% of SLIO. The remaining third of the acquisition element has been deferred until December 2010, at which point the Company will receive \$4.2M. The Company has not recorded the disposal of the deferred element of the agreement. At the year end the Company holds 44.33% of the issued share capital of SLIO and from the date of the sale of the shares to Severstal, accounted for as an investment in an associate.

The completion of the SPSA has resulted in a dilution gain in the amount of \$5,926,171, which was recognised in the consolidated statements of income for the year ended December 31, 2008. On December 10, 2008 AIOG changed its name to Severstal Liberia Iron Ore Limited.

	\$
Net assets as at December 31, 2008	18,257,984
Interest held in share capital	44.33%
Equity value of investment in associate	8,093,775

The following gain on disposal has been recognised in the current year:

	\$
Investment prior to disposal	2,738,027
% disposal	16.667%
Cost of disposal	570,434
Proceeds of disposal	8,333,333
Gain on disposal	<u>7,762,899</u>

Mano River Resources Inc.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2008

(Stated in U.S. dollars)

6. Due to/from joint venture partners

During the year ended December 31, 2008, certain exploration and development expenditures were carried out by joint venture partners.

The amount owing to Petra Diamonds, who is the operator of the Kono joint venture diamond project in Sierra Leone, is \$717,640 as at December 31, 2008. The amount owing to Kpo Resources Inc, the joint venture entity of a diamond project in Liberia, is \$106,603 as at December 31, 2008.

As at December 31, 2008 the amount due from joint venture partners amounted to \$27,495.

7. Investments

	Dec. 31, 2008 \$	Dec. 31, 2007 \$
SLIO (note 5)	8,093,775	-
Mifergui-Nimba	-	184,090

The valuation is based on the transactions which happened close to the year end and represents the share of the net assets of the investment in the subsidiary.

	Dec. 31, 2008 \$	Dec. 31, 2007 \$
Cost of investment	2,167,604	184,090
Dilutive gain on disposal	5,926,171	-
Carrying value	8,093,775	184,090

8. Property and Equipment

	Machinery & Equipment \$	Assets Under Construction \$	Total \$
Cost			
At January 1, 2008	353,315	2,002,120	2,355,435
Additions	147,834	1,791,268	1,939,102
At December 31, 2008	501,149	3,793,388	4,294,537
Depreciation			
At January 1, 2008	353,315	-	353,315
Charge for the year	44,289	-	44,289
At December 31, 2008	397,604	-	397,604
Carrying amount			
At December 31, 2007	-	2,002,120	2,002,120
At December 31, 2008	103,545	3,793,388	3,896,933

Mano River Resources Inc.
Notes to the Consolidated Financial Statements
For the year ended December 31, 2008
(Stated in U.S. dollars)

9. Resource properties and deferred exploration costs

	Dec. 31, 2008 \$	Dec. 31, 2007 \$
Acquisition costs:		
Liberia, West Africa:		
Bea	210,000	210,000
Kpo	-	110,000
Sierra Leone, West Africa:		
Pampana, Sonfon and Nimini South	1,186,500	1,695,000
Guinea, West Africa		
Missamana/Gueliban	-	1,940,000
Mandala	4,933,592	4,933,592
	6,330,092	8,888,592
Deferred exploration costs:		
Liberia, West Africa:		
Bea - KGL	13,756,539	12,624,484
MCA	-	3,665,227
Weaju	742,268	-
Gondoja	34,348	-
Kpo	-	2,223,124
Putu	-	1,730,026
AAR	-	388,741
MEA	60,545	60,545
	14,593,700	20,692,147
Sierra Leone, West Africa:		
Kono/Nimini Central	7,979,870	5,232,308
Sonfon	1,190,080	1,524,975
Nimini South	134,574	-
Tongo/Gola	682,836	323,640
Zimmi/Gorahun	-	99,906
	9,987,360	7,180,829
Guinea, West Africa		
Missamana/Gueliban	-	1,874,833
Guinea Iron Ore	-	46,500
Bouro	180,995	176,901
Druzhba and ex De Beers	159,289	30,136
Mandala	1,959,539	920,705
Ouria	5,532	-
	2,305,355	3,049,075
Democratic Republic of Congo		
Socerdami/REMEC	430,027	80,824
Recovery relating to the sale of mineral property on consolidation of Stellar	-	(1,084,825)
Closing balance	27,316,442	29,918,050

Mano River Resources Inc.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2008

(Stated in U.S. dollars)

9. Resource properties and deferred exploration costs (continued)

Acquisition costs	Bea	MCA	Kpo	Putu	AAR	Mandala	Kono/ Nimini	REPL	Other	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at Feb 1, 2007	210,000	-	110,000	-	-	-	-	-	3,635,000	3,955,000
Additions	-	-	-	-	-	4,933,592	-	-	-	4,933,592
Balance at Dec 31, 2007	210,000	-	110,000	-	-	4,933,592	-	-	3,635,000	8,888,592
Impairment	-	-	(110,000)	-	-	-	-	-	(2,448,500)	(2,558,500)
Balance at Dec 31, 2008	210,000	-	-	-	-	4,953,592	-	-	1,186,500	6,330,092
Deferred exploration expenditure	Bea	MCA	Kpo	Putu	AAR	Mandala	Kono/ Nimini	REPL	Other	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at Feb 1, 2007	11,373,310	2,676,519	1,759,011	477,143	238,672	293,063	3,048,075	31,743	3,493,858	23,391,394
Additions	1,251,174	988,708	464,113	1,252,883	150,069	627,642	2,184,233	291,897	(684,063)	6,526,656
Balance at Dec 31, 2007	12,624,484	3,665,227	2,223,124	1,730,026	388,741	920,705	5,232,308	323,640	2,809,795	29,918,050
Additions	1,132,055	274,769	599,792	2,582,071	40,331	1,038,834	2,747,562	359,196	1,627,970	10,402,580
Expenditures removed on non consolidation of SLIO (note 5)	-	-	-	(4,312,097)	-	-	-	-	-	(4,312,097)
Impairment	-	(3,939,996)	(2,822,916)	-	(429,072)	-	-	-	(1,500,107)	(8,692,091)
Balance at Dec 31, 2008	13,756,539	-	-	-	-	1,959,589	7,979,870	682,836	2,937,658	27,316,442

Mano River Resources Inc.
Notes to the Consolidated Financial Statements
For the year ended December 31, 2008
(Stated in U.S. dollars)

9. Resource properties and deferred exploration costs (continued)

	Year ended Dec. 31, 2008	Eleven months ended Dec. 31, 2007
	\$	\$
Deferred exploration expenditures		
Feasibility	51	4,992
Assays incl. shipment	251,754	130,122
Communications incl. equipment	120,395	37,172
Community relations	151,103	9,523
Consultants and professional fees	1,393,596	722,278
Data, images, reports and maps	-	4,340
Drilling	1,886,828	1,017,009
Geologists' support	-	122,725
Infrastructure incl. roads and bridges	86,475	157,520
Licenses and permit fees	186,981	345,059
Metallurgy	-	14,887
Project/field office costs, incl. field equip.	435,764	1,355,254
Reconnaissance and geochemical	-	66,963
Salaries and wages	2,450,656	860,142
Subsistence	168,490	86,259
Transportation incl. vehicles	438,089	341,334
Net Trans-Hex JV expenditure	91,658	396,228
Kono (Petra) joint venture	2,740,740	1,939,674
Net expenditure during the period	10,402,580	7,611,481
Recovery relating to the sale of mineral property on consolidation of Stellar	1,084,825	(1,084,825)
Expenditure removed on non consolidation of SLIO (note 5)	(4,312,097)	-
Write off of project expenditure & Impairment provision	(9,776,916)	-
Balance, Beginning of period	29,918,050	23,391,394
Balance, End of period	27,316,442	29,918,050

Mano River Resources Inc.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2008

(Stated in U.S. dollars)

10. Joint Ventures and Project Agreements

(a) *Liberia, West Africa*

The Company holds two mineral development agreement ("MDA") licences in Liberia for gold and diamond development. These MDAs are in Western Liberia and consist of the Bea Mountains and Kpo Range and are valid for 25 years with an option to renew for another 25 years. Both these MDAs are dated November 28, 2001 and were approved on March 14, 2002. The MDAs will allow the Company to conduct pre-feasibility work and bankable feasibility work including, if required, pilot mining.

On April 22, 2004 the Company executed a Mineral Cooperation Agreement with the Ministry of Lands Mines and Energy granting exploration rights over a licence in western Liberia.

The Company acquired one Mineral Exploration Agreement ("MEA") licence on May 18, 2005, which is valid for five years over the Putu iron ore prospect in eastern Liberia. During the year ending December 31, 2008 the licence rights were extended until September 2010.

(i) *Trans-Hex Joint Venture (KPO)*

On June 6, 2002, the Company signed a heads of agreement for the creation of a diamond exploration and development joint venture ("JV") in Liberia with Trans Hex Group Limited ("THG") of South Africa. The full JV agreement was subsequently signed on October 12, 2006.

During the year ended December 31, 2008, the decision was made to cease the exploration JV with THG as it was not seen as an economic production site in the current market. All deferred exploration costs incurred to date relating to this project were impaired and charged to the income statement.

(ii) *AAR Joint Venture*

On March 23, 2005, the Company signed a Joint Venture ("JV") agreement with African Aura Resources ("AAR") targeting diamonds over an area of 400 square kilometres held by AAR in western Liberia.

During the year ended December 31, 2008, the decision was made to cease the exploration JV with AAR as it was not seen as a feasible production site in the current economic climate.

Mano River Resources Inc.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2008

(Stated in U.S. dollars)

10. Joint Ventures and Project Agreements (continued)

(b) Sierra Leone, West Africa

The Company holds multiple prospecting licences for diamonds and gold in Sierra Leone. The licences are located throughout the eastern and northern provinces of the country.

(i) Petra Diamonds Joint Venture (Kono /Nimini)

On September 10, 2004, the Company and Petra Diamonds ("Petra") entered into a joint venture for the production of diamonds from the underground mining of diamond-bearing kimberlite dykes (the "Lion" dykes) defined within Mano's three contiguous licence areas (Yengema, Njaiama and Nimini South) in the Kono diamond district ("Kono Licences") of Sierra Leone.

Under the terms of the agreement Petra has earned a 51% interest in Mano's 100% owned subsidiary, Basama Diamonds Ltd., by spending \$3M over three years.

From 1st January 2009 Stellar has elected to sole fund the Kono project for 2009 and will reinvest all diamond sales revenues in the continued development of the project. At the end of 2009 the Company's joint venture partner Petra Diamonds will have the option to reimburse Stellar 51% of the project costs to maintain its 51% equity in the project, or dilute. The current technical team will remain on the project and Petra will continue to offer technical advice as required.

(ii) Golden Star Joint Venture

On November 24, 2003, the Company signed a comprehensive letter of agreement ("LoA") with Golden Star Resources ("GSR"), which contains all the main terms of a joint venture covering licence packages in Sierra Leone.

Under the terms of the LoA, GSR can earn a 51% interest in the gold rights of the licences currently held by Mano through its subsidiary, Golden Leo Resources Limited subject to GSR meeting set conditions including minimum expenditure limits.

As at December 31, 2008 GSR have informed the Company they are near to meeting the minimum expenditure limit required under stage three of the agreement for the Sonfon Licence, at which point they will earn a 51% interest in the licence.

Within 120 days of completing stage three of the agreement on the Sonfon licence GSR may elect to proceed to a feasibility study (FS). Mano then has the right to elect to contribute pro-rata to the FS to retain a 49% interest. If Mano decides not to elect to contribute GSR may sole fund the FS to earn a further 14% interest, thereby taking its equity to 65%.

Upon completion of a positive FS on Sonfon GSR may elect to proceed to mine development. Mano has the right to contribute pro rata to any mine development to retain its 49% interest or dilute to either a 15% or 29% free carried interest depending on its earlier elections to co-fund the feasibility study and mine construction. Mano will also retain a 2% net smelter return royalty on production in excess of the first 1M ounces of gold from each project.

Mano River Resources Inc.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2008

(Stated in U.S. dollars)

10. Joint Ventures and Project Agreements (continued)

(b) Sierra Leone, West Africa(continued)

(ii) Golden Star Joint Venture (continued)

GSR advised in 2007 that they were terminating both the Nimini and Pampana licence from the agreement.

Under a separate agreement dated May 2002, the Sonfon licence was joint ventured by the Company and its partner Minerva Resources PLC (Minerva) in a 50:50 joint venture basis. Minerva retains a 50% interest in Mano's share of the project.

(c) Guinea, West Africa

The Mandala project is 100% owned by Stellar Diamonds and comprises three kimberlite and two alluvial mining concessions in the south east of Guinea. The Mandala alluvial licence comprises a 536,000 carat indicated and 144,000 carat inferred diamond resource which is scheduled to be brought into production in early 2009. Stellar has approved a \$5.8M capital budget which includes a plant with a head feed capacity of 100tons per hour and a 30tons per hour DMS diamond recovery module. At optimum production levels the project could yield between 8,000 and 10,000 carats per month. Based on previous bulk sampling and independent valuation the diamond value is estimated to be a minimum of \$65 per carat.

(d) Democratic Republic of Congo

BHP Billiton Joint Venture

On December 4, 2007, Stellar Diamonds Ltd. ("Stellar"), the Company's subsidiary, signed a memorandum of understanding with BHP Billiton over exploration licences in the north of the Democratic Republic of Congo.

In February 2009, an agreement was reached with BHP Billiton to terminate the joint venture as it was not seen as a economically viable project.

Mano River Resources Inc.

Consolidated Statements of Shareholders' Equity

For the year ended December 31, 2008

(Stated in U.S. dollars)

11. Convertible Debentures

On September 27, 2007 the Company issued unsecured convertible debentures to raise £2.3M (\$4.6M). The convertible debentures are repayable on August 1, 2010 and bear interest at 9% per annum. The principal amount is convertible by the holders into common shares of the Company (16,428,571) at a conversion price of £0.14 pence per share at any time prior to maturity. If prior to the maturity date, the daily volume weighted average trading price of the Company's common shares on AIM, or such other stock exchange where the majority of the Company's trading volume occurs, is greater than £0.182 pence per share (or equivalent), for any period of 21 consecutive trading days, the Company shall have the right at its sole option to provide notice to the holder and thereafter the debentures will be automatically converted to common shares.

As the debentures are convertible into common shares at the option of the holder, they have been accounted for in their component parts. The fair value of the conversion option was determined to be \$2,637,802 based on using the Black-Scholes option pricing model with the following assumptions: no dividends were paid, a weighted average volatility of the Company's share price of 172%, a weighted average annual risk free rate of 4.64% and an expected life of three years. The residual was allocated to the debt component and subsequently carried at amortised cost using the effective interest rate of 44.1% to accrete the liability to the value of the consideration received.

During the year ended December 31, 2008, the Company incurred interest expense relating to the convertible debentures of \$983,242 including the accretion of the loan to its future value. Interest has been paid up to November 1, 2008 and therefore an accrual of \$49,928 is included at the year end. Included in the income statement is \$831,873 recognised as an unrealised foreign currency exchange rate gain in the year to December 31, 2008, (\$168,130 loss in 2007).

Below is a summary of the debt element of the convertible debenture

	December 31, 2008	December 31, 2007
	\$	\$
Opening balance	2,260,738	-
Subscription	-	2,092,608
Fair value accretion	619,773	-
Unrealised foreign currency exchange (gain)/loss	(831,873)	168,130
Closing balance	2,048,638	2,260,738

Mano River Resources Inc.
Notes to the Consolidated Financial Statements
For the year ended December 31, 2008
(Stated in U.S. dollars)

12. Share capital

(a) Authorised

Unlimited number of common shares without par value.

(b) Issued

	Shares	Amount \$
Balance at January 31, 2005	213,405,818	21,461,793
Shares issued on private placement (net of costs)	40,000,000	7,180,800
Shares issued on exercise of warrants	12,500	894
Balance at January 31, 2006	253,418,318	28,643,487
Shares issued on private placement (net of share issue costs)	39,562,500	5,502,741
Shares issued on exercise of stock options	140,000	12,050
Balance at January 31, 2007	293,120,818	34,158,278
Shares issued on exercise of stock options	4,690,000	437,836
Balance at December 31, 2007	297,810,818	34,596,114
Shares issued on private placement (net of share issue costs) on May 29, 2008	20,000,000	3,367,010
Balance at December 31, 2008	317,810,818	37,963,124

During the year ended December 31, 2008:

- (i) On May 29, 2008 the Company completed a private placement of 20,000,000 common shares with a wholly owned subsidiary of Severstal, a leading Russian steel and natural resources company, at £0.10p (\$0.20) each for gross proceeds of £2,000,000 (\$4,000,000). Associated costs charged to shareholders equity amounted to \$84,990. In addition, 20,000,000 warrants were granted at an exercise price of £0.14p, which are exercisable at any time over a period of 18 months from the completion of the private placement. Prior to the exercise of all the warrants, Severstal's holding in Mano is 6.29% and would increase to 11.84% (assuming no further issuances of common shares prior to that time) and provide the Company with a further £2,800,000 in financing (equivalent to \$5.1M) if the warrants were exercised. As required under Canadian generally accepted accounting principles the consideration received was allocated to share capital and the warrant reserve. Based on the share price at the date of issue of £0.0863 pence \$3,367,010 was allocated to share capital, while the remaining \$548,000 was allocated to a warrant reserve within shareholders' equity.

Mano River Resources Inc.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2008

(Stated in U.S. dollars)

12. Share capital (continued)

(b) Issued (continued)

During the eleven month period ended December 31, 2007:

- (i) The Company issued 2,000,000 common shares on exercise of stock options at a price of Cdn\$0.11 per share and 100,000 common shares at a price of Cdn\$0.10 per share. Cash proceeds of \$198,276 for exercise of these stock options were received by the Company on January 31, 2007 and recorded as subscriptions under shareholders' equity.
- (ii) 590,000 stock options were exercised at a price of CDN\$0.10 per share and 15,000 options expired unexercised; and 2,000,000 stock options were exercised at a price of Cdn\$0.11 per share and 1,000,000 options expired unexercised. Total option exercise proceeds were \$239,560.

(c) Issued shares in Stellar Diamonds

On March 31, 2008, 2,375,000 common shares of Stellar Diamonds Ltd. Mano's majority owned subsidiary, were issued at £1 each for gross proceeds of £2,375,000 (\$4,724,571). Associated costs charged to shareholders equity amounted to \$34,326. All other professional fees incurred on the postponed AIM listing of Stellar Diamonds Ltd. during the period, have been charged to the consolidated statement of income/(loss). On December 19, 2008, 15,567,675 common shares of Stellar Diamonds Ltd, were issued at £0.20 pence each for gross proceeds of £3,113,535 (\$4,802,208). In addition Stellar settled debt of £622,356 (\$1,194,766) through the issue of 3,111,781 shares at the same price of 20 pence per share. In addition

18,679,456 warrants were granted by Stellar on December 19, 2008 at an exercise price of £0.25 pence, which are exercisable at any time over a period of 18 months.

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12. Share capital (continued)

(d) Stock options in Company

A summary of the status of the Company's stock option plan as at December 31, 2008 and December 31, 2007 and changes during the periods then ended are as follows:

	Number of options	Dec. 31, 2008 Weighted average exercise price per share Cdn\$	Number of options	Dec.31, 2007 Weighted average exercise price per share Cdn\$
Balance outstanding and exercisable, beginning of period	9,900,000	0.21	14,980,000	0.16
Activity during the period				
Options granted	9,045,000	0.20	900,000	0.23
Options exercised	-	-	(4,000,000)	0.11
Options exercised	-	-	(690,000)	0.10
Options expired	(905,000)	0.10	(1,000,000)	0.11
Options expired	-	-	(225,000)	0.23
Options expired	-	-	(50,000)	0.24
Options expired	-	-	(15,000)	0.10
Balance outstanding and exercisable, end of period	18,040,000	0.21	9,900,000	0.21

The fair value of the stock option granted in the year was determined to be \$985,591 based on using the Black-Scholes option pricing model with the following assumptions: no dividends were paid, a weighted average volatility of the Company's share price of 73.9% (based on the weighted average volatility from both AIM and TSX listings), a weighted average annual risk free rate of 3.50% and an expected life of five years. The remainder of the stock option charge of \$1,455,625 arises from stock options issued by Stellar (note 12(e)).

As at December 31, 2008 the following stock options were outstanding:

Number of stock options Outstanding	Exercise price per share Cdn\$	Expiry date
2,720,000	0.240	March 23, 2009
2,620,000	0.215	July 25, 2010
2,755,000	0.230	July 31, 2011
600,000	0.230	March 16,2012
300,000	0.230	May 20, 2012
9,045,000	0.200	January 17, 2013
18,040,000		

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12. Share capital (continued)

(e) Stock options in subsidiaries

The following is a summary of the stock option plan for the Company's majority held subsidiary Stellar Diamonds Ltd, as at December 31, 2008 and December 31, 2007 and changes during the periods then ended are as follows:

	Dec. 31, 2008		Dec. 31, 2007
	Number of options	Weighted average exercise price per share GBP£	Number of options
			Weighted average exercise price per share GBP£
Balance outstanding and exercisable, beginning of period	2,600,000	0.87	-
Activity during the period			
Options granted	400,000	1.00	2,600,000
Balance outstanding and exercisable, end of period	3,000,000	0.89	2,600,000

As at December 31, 2008 the following stock options were outstanding:

Number of stock options Outstanding	Exercise price per share GBP£	Expiry date
2,600,000	0.87	March 26, 2013
400,000	1.00	April 21, 2013
3,000,000		

The options issued by Stellar have resulted in a charge to the Income Statement of \$470,035 (\$1,863,884 in 2007) based on using the Black-Scholes option pricing model with the following assumptions: no dividends were paid, a weighted average volatility of the Company's share price of 76.0% (based on the weighted average volatility from peer company listings), a weighted average annual risk free rate of 2.370% and an expected life of five years.

(f) Share purchase warrants

As at December 31, 2008, 20,000,000 warrants were outstanding at an exercise price of £0.14 pence with an expiry date of November 29, 2009. These warrants were granted to Severstal as part of the private placement completed on May 29, 2008.

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13. Income taxes

The provision for income taxes reported differs from the amounts computed by applying the cumulative Canadian federal and provincial income tax rates to the loss before tax provision due to the following:

	December 31, 2008	December 31, 2007
	\$	\$
Statutory tax rate	31.00%	34.12%
Expected income tax (recovery)/expense	(690,877)	629,031
Foreign income taxes at other than CDN statutory rate	2,321,838	953,012
Non-deductible stock based compensation	451,244	64,829
Non-deductible interest	304,805	-
Non-taxable gain on convertible debt	(257,881)	57,366
Non-taxable dilution gain on shares issued by subsidiary company	(2,218,969)	(2,117,380)
Non-taxable portion of gain on sale of assets	(1,203,249)	-
Benefit of previously unrecognized tax pools	1,293,089	413,142
Tax losses not recognized in the in the period the benefit arose	-	-
	-	-

The approximate tax effect of each type of temporary difference that gives rise to the Company's future tax assets are as follows:

	December 31, 2008	December 31, 2007
	\$	\$
Operating loss carryforwards	1,920,000	1,597,571
Non-remitted taxable gain	(1,203,249)	-
Less: Valuation allowance	(716,751)	(1,597,571)

The Company evaluates its valuation allowance requirements based on projected future operations. When circumstances change and this causes a change in management's judgment about the recoverability of future tax assets, the impact of the change on the valuation allowance is reflected in current income. As management of the Corporation does not currently believe that it is more likely than not that the Corporation will receive the benefit of this asset, a valuation allowance equal to the future tax asset has been established at both December 31, 2008 and December 31, 2007.

At December 31, 2008, the Company had the following estimated loss carry forwards available for tax purposes:

	Amount \$	Expiry
Canada	6,200,000	2009-2028

These consolidated financial statements do not reflect the potential effect on future income taxes of the application of these losses.

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14. Related party transactions

The following table summarises the Company's related party transactions for the period:

	December 31, 2008	December 31, 2007
	\$	\$
Incurring management service fees with a company related by a director in common	150,000	95,000
Incurring management fees by directors	774,805	188,753
Incurring directors fees	297,356	119,789
Incurring professional fees and consultancy services by a director	83,818	-
	1,305,979	403,542

These transactions are in the normal course of operations. A portion of the management fees have been capitalised within the deferred exploration costs.

At the end of the year, the amounts due to related entities are as follows:

	December 31, 2008	December 31, 2007
	\$	\$
Directors' companies	-	154,414
Various directors	142,004	19,953
	142,004	174,367

These balances are payable on demand and have arisen from the provision of services rendered as set out above.

Amount due to/from related parties are settled through the course of the operating working capital cycle. Due to the short term nature of the amounts outstanding the fair value approximates to the carrying amount.

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15. Non-controlling interest and dilutive gains

The non-controlling interest held in the Company's subsidiaries are:

	Mano Ownership	Non Controlling Interest	Carrying value of net equity	December 31, 2008	December 31, 2007
	%	%	\$	\$	\$
Stellar Diamonds Ltd.	59.6	40.4	22,361,888	9,011,297	6,801,312
African Iron Ore Group	-	-	-	-	346,005
				9,011,297	7,147,317

In 2007, the Company transferred its diamond properties which had a book value of \$8,276,081 to Stellar in exchange for 19,239,541 shares in Stellar. The exchange was recorded at book value as it was a transaction between companies under common control. In 2007, Stellar completed two private placements in order to raise funds to finance the development of its diamond interests. In the first placement 1,211,890 shares were issued at an effective price of £0.87 pence per share. 918,484 of those shares were issued for cash consideration, raising proceeds of £800,000 (\$1,571,438), while the remaining 293,406 shares were issued to the subscribers in consideration for forfeiture of certain benefits as a result of the diamond reorganisation. In the second placement 4,822,044 shares were issued at a price of £0.871 pence per share for proceeds of £4,200,000 (\$8,611,361). In addition, Stellar issued 2,411,022 warrants with a two year term and an exercise price of £1.20 per share as well as 260,390 adviser's options with a two year term and an exercise price of £0.871 pence per share. As a result of these shares issuances by Stellar, the Company recorded a dilution gain of \$6,207,005 in the year ended December 31, 2007.

On March 31, 2008 Stellar issued 2,375,000 shares at a price of £1 per share for gross proceeds of £2,375,000 (\$4,724,571). On December 19 2008, Stellar issued a further 15,567,675 shares at a price of £0.20 pence per share for gross proceeds of £3,113,535 (\$4,802,208). Mano purchased 6,920,000 of these shares for £1,384,044 (\$2,134,701). At the same time Stellar settled debt of £622,356 (\$1,194,766) owing to Mano through the issue of 3,111,781 shares at a price of £0.20 pence per share. As a result of these share issues, the Company recorded a dilution gain of \$1,231,793.

Gains on shares issued by affiliated companies arise when the ownership interest of the Company in a controlled entity is diluted as a result of shares issuances of the investee company. The Company does not receive any cash proceeds in these transactions.

	December 31, 2008	December 31, 2007
	\$	\$
Dilutive gains on shares issued in Stellar Diamonds Ltd	1,231,793	6,207,005
Dilutive gains on shares issued in Severstal Liberia Iron Ore Ltd	5,926,171	-
	7,157,964	6,207,005

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16. Provision for impairment

The Company reviews the carrying values of its mineral property interests whenever events or changes in circumstances indicate that the carrying value of the assets may exceed the estimated net recoverable amounts. An asset's carrying value is written down when the carrying value is not recoverable and exceeds its fair value. Impairment reviews for deferred exploration and acquisition costs are carried out on a project by project basis, with each project representing a potential single cash generating unit. An impairment review is undertaken when indicators of impairment arise but typically when one of the following circumstances apply:

- (i) title to the asset is compromised;
- (ii) variations in metal prices that render the project uneconomic; and
- (iii) unexpected geological occurrences that render the resource uneconomic.

Where estimates of future cash flows are not available and where other factors suggest impairment, management assesses if the carrying value is recoverable and records an impairment if so indicated. The impairment review undertaken during the year identified certain projects that were considered uneconomic and were written off and those projects where there was a reasonable probability that the carrying value of the project exceeded its fair value. The total impairment charge recorded in the Income/(Loss) Statement during 2008 is \$11,250,591. This relates to the following projects:

	Country	Carrying value	Impairment in the Income Statement	Revised carrying value
		\$	\$	\$
Acquisition Costs	Liberia	320,000	110,000	210,000
	Sierra Leone	1,695,000	508,500	1,186,500
	Guinea	6,873,592	1,940,000	4,933,592
	Total	8,888,592	2,558,500	6,330,092
Deferred Exploration Costs	Liberia	21,785,684	7,191,984	14,593,700
	Sierra Leone	10,454,776	467,416	9,987,360
	Guinea	4,344,039	2,038,684	2,305,355
	DRC	508,859	78,832	430,027
Total		37,093,358	9,776,916	27,316,442
Recovery relating to sale of Stellar mineral property		(1,084,825)	(1,084,825)	-
		44,897,125	11,250,591	33,646,534

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16. Provision for impairment (continued)

The total impairment charge recorded in the Income/(Loss) Statement is \$11,250,591. This relates to the following projects:

Project Name	Project Type	Geographic Segment	Acquisition Costs Impaired	Deferred Exploration Expenditure Impaired	Total
			\$	\$	\$
MCA	Diamond	Liberia	-	3,625,594	3,625,594
Lab	Diamond	Liberia	-	314,401	314,401
KPO	Diamond	Liberia	110,000	2,822,916	2,932,916
AAR	Diamond	Liberia	-	429,072	429,072
Pampana Gold	Gold	Sierra Leone	508,500	361,661	870,161
Zimmi - Gorahun	Diamond	Sierra Leone	-	105,756	105,756
Missamana/Gueliban	Gold	Guinea	1,940,000	1,992,184	3,932,184
Guinea Iron Ore	Iron Ore	Guinea	-	46,500	46,500
Socerdemi	Diamond	DRC	-	78,832	78,832
Recovery relating to sale of Stellar mineral property				(1,084,825)	(1,084,825)
			2,558,500	8,692,091	11,250,591

Some of the projects that remain and have not been impaired are early stage speculative mining projects, the carrying value of these is not supported by future estimated cash flows but management do not believe there to be any indication of impairment.

17. Segmented information

(a) Industry information

The Company operates in one reportable operating segment, being the acquisition and exploration and development of resource properties.

(b) Geographic information

Revenues from operations in the year ended December 31, 2008 were derived from interest income of which \$408 (December 31, 2007 - \$3,951) was earned in Canada and \$74,075 (December 31, 2007 - \$144,090) was earned in the United Kingdom.

The Company's non-current assets by geographic location are as follows:

	December 31, 2008	December 31, 2007
	\$	\$
Liberia	22,909,175	21,012,147
Sierra Leone	11,179,235	8,875,829
Guinea	11,089,990	11,024,052
Democratic Republic of Congo	458,097	80,824
United Kingdom	745	-
	45,637,242	40,992,852

Additional geographic information is provided in note 9 and 16.

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18. Financial instruments and financial risk management

The Company's financial assets and liabilities are cash, amounts receivable, accounts payable and accrued liabilities, due to related parties and convertible debenture. The fair values of these financial instruments are estimated to approximate their carrying values due to their immediate or short-term nature. Due to the nature of the Company's operations, there is no significant credit or interest rate risk.

The carrying amounts for the financial instruments are as follows:

	December 31, 2008	December 31, 2007
	\$	\$
Financial Assets:		
<i>Loans and receivables, measured at amortised cost</i>		
Cash	8,887,906	4,100,187
Amounts receivable	207,044	296,591
	9,094,950	4,396,778
Financial Liabilities:		
<i>Other liabilities, measured at amortised cost</i>		
Accounts payable and accrued liabilities	1,148,659	1,010,169
Due to related parties	149,660	174,367
Convertible debenture	2,048,638	2,260,738
	3,346,957	3,445,274

In the normal course of its operations, the Company is exposed to currency, interest rate, liquidity and credit risks.

Foreign currency risk

In the normal course of business, the Company enters into transactions denominated in foreign currencies (primarily Pound Sterling, Canadian Dollars and Euros). As a result, the Company is subject to exposure from fluctuations in foreign currency exchange rates. In general, the Company does not enter into derivatives to manage these currency risks. The Company attempts to reduce its exposure to currency risk by entering into contracts denominated in US Dollars whenever possible. The Company has taken no other action to reduce its exposure to foreign currency risk during 2008. In 2009, the Board decided to enter into currency forward contracts to hedge part of its exposure to the UK pound.

Carrying value of foreign currency balances	December 31, 2008	December 31, 2007
	\$	\$
Cash and cash equivalents, include balance denominated in:		
Pound Sterling (GBP)	1,236,356	3,715,232
Canadian Dollar (CAD)	15,233	5,821
Amounts receivable, include balance denominated in:		
Pound Sterling (GBP)	194,498	27,730
Canadian Dollar (CAD)	5,871	9,480
Amounts payable and accrued liabilities, include balance denominated in:		
Pound Sterling (GBP)	498,147	85,273
Canadian Dollar (CAD)	54,277	147,873
Euro (EUR)	15,752	-
Convertible debenture, include balance denominated in:		
Pound Sterling (GBP)	2,048,638	2,260,738

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18. Financial instruments and financial risk management (continued)

Foreign currency risk (continued)

	Closing Exchange Rate	Effect on net assets of USD strengthening 10%
		\$
At December 31, 2008		
Pound Sterling (GBP)	0.6910	111,593
Canadian Dollar (CAD)	1.2228	3,317
Euro (EUR)	0.7095	1,575
At December 31, 2007		
Pound Sterling (GBP)	0.5009	(139,695)
Canadian Dollar (CAD)	0.9820	13,257
Euro (EUR)	0.6794	-

The sensitivities are based on financial assets and liabilities held at 31 December 2008 where balances were not denominated in the functional currency of the Company. The sensitivities do not take into account the Company's income and expenses and the results of the sensitivities could change due to other factors such as changes in the value of financial assets and liabilities as a result of non-foreign exchange influenced factors.

Interest rate and liquidity risk

Fluctuations in interest rates impact on the value of short term cash investments and interest payable on financing activities (including long term loans), giving rise to interest rate risk. The Company has in the past been able to actively source financing through public offerings, corporate dealings or issuing fixed rate convertible debentures. This cash is managed to ensure surplus funds are invested in a manner to achieve maximum returns while minimising risks. In the ordinary course of business, the Company is required to fund working capital and capital expenditure requirements. The Company generally enters into variable interest bearing borrowings. The Company typically holds financial assets with a maturity of less than 30 days to ensure adequate liquidity and flexibility. The maturity of the debt instruments has been set out in note 11.

Due to the short maturity of the financial assets and the fixed rate of interest on the convertible debenture, if interest rates were to double, it would have an insignificant impact on the Company's financial performance.

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18. Financial instruments and financial risk management (continued)

Interest rate and liquidity risk (continued)

The Company ensures that its liquidity risk is mitigated by placing financial assets on short term maturity, thus all financial liabilities are met as they become due:

	Within 30 days \$	30 days - 6 months \$	6 months - 1 year \$	1 year - 5 years \$
Cash and cash equivalents	8,877,906	-	-	-
Accounts receivable	207,044	-	-	-
Accounts payable and accrued liabilities	(1,148,659)	-	-	-
Due to related parties	(149,660)	-	-	-
Due to joint venture partners	(106,603)	-	(717,640)	-
Convertible debenture	-	(149,783)	(149,783)	(3,553,183)
Net Liquidity	7,680,028	(149,783)	(867,423)	(3,553,183)

As disclosed in note 5 the Company anticipates the completion of the SPSA with Severstal in December 2010, which would result in \$4.2M cash received.

Credit risk

The Company's credit risk exposure is solely in connection with the cash and cash equivalents held with financial institutions. The Company manages its risk by holding surplus funds in high credit worthy financial institution and maintains minimum balances with financial institutions in remote locations.

	December 31, 2008 \$	December 31, 2007 \$
Financial institution with S&P AA- rating or higher	8,743,602	3,729,700
Financial institutions un-rated or unknown rating	134,304	370,487
	8,877,906	4,100,187

19. Capital risk management

The Company's objectives when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to ensure sufficient resources are available to meet day to day operating requirements.

The Company's Board of Directors takes full responsibility for managing the Company's capital and does so through board meetings, review of financial information, and regular communication with Officers and senior management.

In order to maximise ongoing development efforts, the company does not pay out dividends. The Company's investment policy is to invest its cash in deposits with high credit worthy financial institutions with short term maturity.

The Company expects its current capital resources will be sufficient to carry out its plans and operations through its current operating period.

The Company is not subject to externally imposed capital requirements and there has been no change in the overall capital risk management as at 31 December 2008.

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20. Subsequent Events

On January 19, 2009, the Company granted incentive stock options to certain directors, employees and consultants to purchase up to an aggregate of 5,200,000 common shares in the Company exercisable for a period of five years at a price of Cdn\$0.035 per share.

On April 15, 2009, the Company announced a proposed business combination with African Aura Resources Ltd. Mano will offer 1.57 Mano shares for every one African Aura share in order to acquire the entire issued share capital of African Aura. The obligation of Mano and African Aura to enter into the broader agreement is subject to certain conditions being met, including the approval of the TSX-V and satisfactory completion of due diligence.