

Interim Consolidated Financial Statements

Mano River Resources Inc.

For The Three Months Ended March 31, 2008
and Three Months ended April 30, 2007
(Stated in U.S. Dollars)

(Unaudited)

MANO RIVER RESOURCES INC.

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NOTICE TO READER

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited interim consolidated financial statements for the three months ended March 31, 2008.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

Mano River Resources Inc.

Consolidated balance sheet

As at March 31, 2008

(Stated in U.S. dollars)

	Three months ended March 31, 2008	Year ended December 31, 2007
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	5,188,940	4,100,187
Amounts receivable	355,524	296,591
Due from joint venture partners (Note 3)	112,281	112,281
	5,656,745	4,509,059
Investments (Note 4)	230,590	184,090
Property, plant and equipment	1,937,574	2,002,120
Resource properties (Note 5)	8,888,592	8,888,592
Deferred exploration costs (Note 5)	31,903,641	29,918,050
	48,617,142	45,501,911
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	1,129,500	1,010,169
Interest payable on convertible debenture (Note 8)	68,794	181,296
Due to related parties (Note 7)	255,367	174,367
Due to joint venture partners (Note 3)	913,000	274,350
	2,366,661	1,640,182
Convertible debenture (Note 8)	1,873,317	2,260,738
Total Liabilities	4,239,978	3,900,920
Non-controlling interest (Note 9)	9,272,804	7,147,317
Shareholders' equity		
Share capital (Note 6)	34,596,114	34,596,114
Equity component of convertible debenture (Note 8)	2,715,413	2,637,802
Contributed surplus	3,219,220	1,904,465
Accumulated other comprehensive loss	(21,755)	(21,755)
Translation reserve	3,973	-
Deficit	(5,408,605)	(4,662,952)
Total shareholders' equity	35,104,360	34,453,674
Total Liabilities, non-controlling interest and shareholders' equity	48,617,142	45,501,911

Nature of operations and continuation of business (Note 1)

Approved by the Board

(Signed) Luis da Silva

Luis da Silva, Director

(Signed) Bevan Metcalf

Bevan Metcalf, Chief Financial Officer

Mano River Resources Inc.

Consolidated statement of income/(loss) and comprehensive income/(loss) For the three months ended March 31, 2008

(Stated in U.S. dollars)

	Three months Ended March 31, 2008	Three months Ended April 30, 2007
	\$	\$
Expenses		
Administrative and office expenses	189,043	1,854
Directors fees	153,027	8,500
Foreign exchange gain	4,971	(17,810)
Management fees	158,329	72,045
Interest on convertible debenture	94,219	-
Professional fees (Note 10)	559,927	98,869
Stock-based compensation	1,314,755	104,554
Transfer agent and filing fees	23,616	17,193
Depreciation	151,746	-
	2,649,633	285,205
Dilution gain on shares issued by controlled company	(1,387,780)	-
Unrealised gain on convertible debenture	(309,810)	-
Interest income	(18,225)	(7,772)
Loss before non-controlling interest	(933,818)	(277,433)
Non-controlling interest	188,165	-
Loss and comprehensive loss	(745,653)	(277,433)
Basic and diluted loss per share	(0.002)	(0.001)
Basic and diluted weighted average number of shares outstanding	297,810,818	296,440,706

See accompanying notes to the consolidated financial statements.

Mano River Resources Inc.
Consolidated statements of cash flows
For the three months ended March 31, 2008
(Stated in U.S. dollars)

	Three months Ended March 31, 2008	Three months Ended April 30, 2007
	\$	\$
Operating activities		
Net loss	(745,653)	(277,433)
Items not involving cash:		
Dilution gain on shares issued by controlled company	(1,387,780)	-
Non-controlling interest	(188,165)	-
Stock-based compensation	1,314,755	104,554
Interest on convertible debenture	94,219	-
Unrealised loss on convertible debt	(309,810)	-
Depreciation of fixed assets	151,746	-
Change in non-cash working capital items:		
Amounts receivable	(23,498)	(84,151)
Due from joint venture partners	-	104,250
Accounts payable and accrued liabilities	119,329	(108,301)
	(974,857)	(261,081)
Investing activities		
Deferred exploration costs, net of related accounts payable	(1,393,441)	(667,529)
Purchase of capital assets	(87,200)	-
	(1,480,641)	(667,529)
Financing activities		
Issuance of share capital, net of share issue costs	-	437,836
Share subscriptions	-	683,725
Interest paid on convertible debenture	(206,721)	-
Proceeds from issue of shares of subsidiary	3,665,998	-
Due to related parties	81,000	64,410
	3,540,277	1,185,971
Foreign exchange differences on translation of overseas operations	3,974	-
Net cash inflow	1,088,753	257,361
Cash, beginning of period	4,100,187	1,185,520
Cash, end of period	5,188,940	1,442,881

Supplemental disclosure of financing and investing activities:

(1) During the period ended March 31, 2008 1,949,994 common shares of Stellar Diamonds Ltd., were issued at £1 each for gross proceeds of £1,949,994 (\$3,890,998). Associated costs charged to shareholders equity amounted to \$225,000.

(2) During the period ended April 30, 2007 the Company issued 2,100,000 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.

Mano River Resources Inc.

Notes on consolidated financial statements

For the three months ended March 31, 2008

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 and diamond properties. The Company is in the development stage and has no source of cash flows other than loans from related parties or equity offerings.

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 the Company 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.

2. Significant accounting policies

These financial statements have been prepared in accordance with generally accepted accounting principles in Canada and reflect the following significant accounting policies. The United States dollar has been identified as the Company's currency of measurement and is used for external reporting purposes.

(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.), and Mano Diamonds Ltd.

African Iron Ore Ltd. is 80% owned by Mano. One-half of the remaining 20% is held by Eastbound Resources Ltd., a company controlled by a director of the Company.

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 March 31, 2008, the Company does not hold an interest in any VIEs.

All intercompany balances and transactions have been eliminated upon consolidation.

The shares not legally owned by the Company in the listed subsidiaries, other than African Iron Ore (Liberia) Ltd., are held by one 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 March 31, 2008.

(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.

Mano River Resources Inc.
Notes on consolidated financial statements
For the three months ended March 31, 2008

(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.

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

Property, plant and equipment is comprised of office furniture, automobiles and various equipment used in the field, that are stated at cost and amortised at 30% per annum on a declining balance basis.

(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.

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.

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, future income tax and stock-based compensation. Actual results could differ from those estimates.

The amounts used to estimate fair values of stock options 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.

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.

(h) **Loss per share**

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the year. The diluted 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. Options and warrants as disclosed in Note 6 are anti-dilutive and therefore have not been taken into account in the per share calculations.

Mano River Resources Inc.
Notes on consolidated financial statements
For the three months ended March 31, 2008

(i) **Foreign currency translation**

The Company's foreign currency transactions and the financial position and results of operations of the Company's integrated subsidiaries are translated into U.S. dollars using the temporal method. Under this method, monetary assets and liabilities are translated at the rate in effect at the balance sheet date. Other balance sheet items, revenues and expenses are translated at the rates prevailing on the respective transaction dates.

(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 operations, with an offsetting credit to contributed surplus, on a straight-line basis over the vesting period. If the stock options are ultimately exercised, the applicable amounts of contributed surplus is transferred to share capital.

(k) **Joint ventures**

The Company has entered into certain joint venture agreements whereby the Company earns or allows a third party to earn an interest in certain mineral properties. These joint venture agreements generally provide for the acquiring party to incur exploration costs to earn an interest. Currently certain joint ventures in which the Company has an interest are used to hold the property interest solely; while certain others have operations or exploration programs conducted by the joint venture.

(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.

3. Due to/from joint venture partners

During the three month period ended March 31, 2008, certain exploration and development expenditures were carried out by joint venture partners.

The amount owing to Petra Diamonds as at March 31, 2008, who is the operator of the Kono joint venture diamond project in Sierra Leone, is \$617,000.

The amount owing to Trans-Hex as at March 31, 2008, who is the operator of the KPO joint venture project in Liberia, is \$296,000.

As at March 31, 2008 the amount due from joint venture partners amounted to \$112,281.

4. Investments

	March 31,2008	April 30, 2007
	\$	\$
Mifergui-Nimba	230,590	184,090

The Mifergui-Nimba investment consists of 8,654 shares representing a 3.7% interest in a Guinean company that holds an interest in a mining license over a Guinean iron ore property. The company is a private company with no available market value. Management has reviewed the carrying value at March 31, 2008 and do not consider that there has been any indication of impairment.

Mano River Resources Inc.
Notes on consolidated financial statements
For the three months ended March 31, 2008

5. Resource properties and deferred exploration costs

	March 31, 2008	April 30, 2007
	\$	\$
Acquisition costs		
Liberia, West Africa		
Bea	210,000	210,000
Kpo	110,000	110,000
Sierra Leone, West Africa		
Pampana, Sonfon and Nimini South	1,695,000	1,695,000
Guinea, West Africa		
Missamana/Gueliban	1,940,000	1,940,000
Bouro/ Mandala	4,933,592	-
Closing balances	8,888,592	3,955,000

	March 31, 2008	April 30, 2007
	\$	\$
Deferred Exploration Expenditures		
Feasibility	-	4,992
Assays incl. shipment	32,292	19,865
Communications incl. equipment	32,543	19,608
Community relations	46,389	48,764
Consultants	104,069	31,952
Data, images, reports and maps	5,119	4,700
Drilling	353,497	-
Geologists support	8,457	18,905
Infrastructure incl. roads and bridges	44,077	14,135
Licenses and permit fees	1,832	20,542
Project/field office costs, incl. field equipment	163,362	76,874
Reconnaissance and geochemical	-	13,117
Salaries and wages	483,338	293,623
Subsistence	-	37,117
Transportation incl. vehicles	118,466	63,338
Kono joint venture exploration expenditure	357,446	-
Trans-Hex joint venture exploration expenditure	281,204	-
Transfer to Mifergui-Nimba investment	(46,500)	-
Net expenditures during the period	1,985,591	667,532
Balance, Beginning of the period	29,918,050	23,391,391
Balance, end of period	31,903,641	24,058,923

Mano River Resources Inc.
Notes on consolidated financial statements
For the three months ended March 31, 2008

6. 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 & March 31, 2008	297,810,818	34,596,114

There were no share issues during the three month period ended March 31, 2008 in the shares of the Company. However, during the quarter ended March 31, 2008 1,949,994 common shares of Stellar Diamonds Ltd., were issued at £1 each for gross proceeds of £1,949,994 (\$3,890,998). Associated costs charged to shareholders equity amounted to \$225,000.

During the three month period ended April 30, 2007:

- (a) 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.
- (b) The Company issued 2,100,000 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 stock options were received by the Company on January 31, 2007 and recorded as subscriptions under shareholders' equity.
- (c) The Company entered into private placement subscriptions for common shares of a wholly-owned subsidiary for gross proceeds of £450,000 of which £100,000 was from GAIA Resources Fund Ltd. (a company related to Mano by virtue of a director in common). As at January 31, 2007, the Company had entered into private placement subscriptions for common shares of a wholly-owned subsidiary for gross proceeds of £300,000 with GAIA Resources Fund Ltd. (a company related to Mano by virtue of director in common). As at April 30, 2007, the subsidiary's common shares were not yet issued and proceeds received were recorded as share subscriptions.

Mano River Resources Inc.
Notes on consolidated financial statements
For the three months ended March 31, 2008

(d) Stock options

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

Number of stock options outstanding	Exercise price per share	Expiry date
	Cdn\$	
905,000	0.100	August 14, 2008
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	0.230	January 17, 2013
18,945,000		

7. Related party transactions

During the three month period ended March 31, 2008, the Company incurred billings of \$81,000 (2007: \$79,187) from related parties for management fees and professional services. All transactions with related parties have occurred in the normal course of operations. As at March 31, 2008, the amount due to related parties totaled \$255,367. These balances have no fixed terms of repayment and have arisen from the accrued provision of services and reimbursable expenses.

8. Convertible debenture

On September 27, 2007 the Company entered into convertible subscription agreements to raise £2.3 million with certain lenders. The convertible debenture is 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 at a conversion price of £0.14 per share at any time prior to maturity. Alternatively, the Company has the option to demand the conversion after a period of three years, if the common shares of the Company have traded at an average 30% premium to the conversion price for a minimum period of 21 trading days previous to the conversion date.

The convertible debenture issued has been segregated into its debt and equity components. The financial liability component, representing the value allocated to the liability at inception, is recorded as a long-term liability. The remaining component, representing the value ascribed to the holders' option to convert the principal balance into common shares, is classified in shareholders' equity as "Equity component of convertible debenture". These components have been measured at their respective fair values on the date the convertible debenture was originally issued.

As the debentures are convertible into common shares at the option of the holder, they have been accounted for in their component parts. The Company has determined the fair value of the liability to make future payments of principal and interest to be \$1,873,317 and the fair value of the holders' conversion option to be \$2,715,413. The fair value of the conversion option was 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.

During the three months ended March 31, 2008, the Company incurred interest expense relating to the convertible debenture of \$94,219. As at March 31, 2008 the entire balance remained payable as the payment date had not yet been achieved.

Mano River Resources Inc.
Notes on consolidated financial statements
For the three months ended March 31, 2008

9. Non-controlling interest

	Mano Ownership %	Carrying value of net equity	March 31, 2008
			\$
	64.06	24,739,952	8,891,365
Stellar Diamonds Ltd.	80.00	1,907,195	<u>381,439</u>
African Iron Ore Ltd.			9,272,804

- (a) The Company transferred its diamonds properties which had a book value of \$8,276,081 to Stellar in exchange of 19,239,541 shares of 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. The private placements took place in two tranches. In the first tranche 1,211,890 shares were issued at an effective price of £0.87 per share. 918,484 of those shares were issued for cash consideration, raising proceeds of £800,000 (US\$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 reorganization. In the second tranche 4,822,044 shares were issued at a price of £0.87 1 per share for proceeds of £4,200,000 (US\$8,611,361). In addition, the Company issued 2,411,022 warrants with two year term and exercise price of £1.20 pence per share as well as 260,390 adviser's options with a two year term and exercise price of £0.871 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.

In March 2008 Stellar issues a further 1,949,994 common shares at a price of £1 per share for gross proceeds of £1,949,994 (\$3,890,998). As a result of this issuance, the Company recorded a dilution gain of \$1,387,780 in the period.

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 (nor is required to make any payments) from these transactions

- (b) African Iron Ore Ltd., the holding company for the Company's iron ore interests, is 80% owned by Mano. One-half of the remaining 20% is held by Eastbound Resources Ltd., a company controlled by a director of the Company.

10. Professional fees

This includes \$225,000 related to the listing of Stellar Diamonds on London's Alternative Investment Market.

11. Fair value of financial instruments

The Company's financial assets and liabilities are cash, amounts receivable, investments, accounts payable and due to related parties. The fair values of these financial instruments are estimated to approximate their carrying values due to their immediate or short-term nature except for investments whose fair value is not readily determinable. Due to the nature of the Company's operations, there is no significant credit or interest rate risk. As at March 31, 2008, the Company held approximately \$3,079,726 cash in bank accounts denominated in U.K. pounds. The Company has taken no action to reduce its exposure to foreign currency risk.

Mano River Resources Inc.

Notes on consolidated financial statements

For the three months ended March 31, 2008

12. Subsequent Events

Mano River Resources Inc. has signed certain agreements with Severstal's indirect, wholly owned Dutch subsidiary, Lybica Holding BV. Severstal is a leading Russian steel and natural resources company.

Terms of the agreement:

- Under a subscription agreement, an indirect, wholly owned subsidiary of Severstal will make an equity investment of approximately \$4 million (U.S.) in Mano (at 10 pence per share) on May 29, 2008, with an option to make an additional equity investment in Mano (at 14 pence share) in due course.
- Under a share purchase and subscription agreement (SPSA), an indirect, wholly owned subsidiary of Severstal will pay \$37.5 million for a 61.5 per cent stake in the Putu Range iron ore project held under African Iron Ore Group Ltd. (AIOG), Mano's existing 80 per cent owned subsidiary. In addition, the indirect, wholly owned Severstal subsidiary has agreed to enter into a facility agreement after completion under which it will provide AIOG with further financing of up to \$15 million (U.S.). The SPSA is conditional on customary conditions to completion, on the completion of satisfactory due diligence by Severstal Resurs (which manages all Severstal's mining assets) and on Mano converting its exploration licence into a mineral development agreement.

Terms of the non-brokered private placement:

- An indirect, wholly owned subsidiary of Severstal has entered into a subscription agreement with Mano and subject to the satisfaction or waiver of various standard conditions to completion, will make an initial investment into Mano on May 29, 2008, by subscribing for 20 million common shares at 10 pence per share, raising approximately \$4 million (U.S.) prior to expenses. This represents a premium of 13.7 per cent on the current share price as at May 22, 2008. Following the private placement, Severstal will hold 6.29 per cent of Mano's issued share capital.
- In addition, 20 million warrants will be granted to an indirectly, wholly owned subsidiary of Severstal at an exercise price of 14 pence, which shall be exercisable at any time over a period of 18 months from the completion of the private placement. Upon exercise of all the warrants, Severstal's holding in Mano would increase to 11.84 per cent (assuming no further issuances of common shares prior to that time) and provide the company with a further \$5.54 million (U.S.) in financing (at the exchange rate of \$1.98 (U.S.) per pound sterling at close of business on May 22, 2008).
- Severstal will also have the right to appoint a nominee to the board of directors of Mano for a period of three years from the date of closing of the private placement, provided it maintains a shareholding of at least 5 per cent in Mano and thereafter provided it maintains a shareholding of at least 10 per cent in Mano. Any nominee of Severstal shall be subject to approval by the TSX Venture Exchange.
- The private placement is subject to customary conditions to closing, including approval of the TSX Venture Exchange and completion is expected to occur on May 29, 2008.

Application will be made for the new common shares issued to be admitted to the Alternative Investment Market and dealings in the new common shares is expected to commence on Sept. 30, 2008, as the new common shares are subject to a four-month hold period under Canadian securities laws and the policies of the TSX Venture Exchange.

The total number of issued common shares in the company, including the new common shares, will be 317,810,818 common shares.

Terms of the SPSA

The SPSA provides for the acquisition by an indirect, wholly owned subsidiary of Severstal of 25 per cent of the issued and outstanding shares of AIOG for \$12.5 million (U.S.) from Mano River Iron Ore Holdings Ltd., a wholly owned subsidiary of Mano, and a further 20 per cent of the issued and outstanding shares of AIOG from the minority interest parties in AIOG, for \$10.0 million (U.S.). It also provides for the subscription by the Severstal subsidiary for new ordinary shares in AIOG for a total price of \$15 million. These acquisitions and the subscription will give the indirectly, wholly owned Severstal subsidiary a 61.5 per cent stake in AIOG on completion of the SPSA. Completion is conditional on, amongst other things, the approval of the TSX Venture

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Exchange, the completion of satisfactory due diligence by Severstal and Mano converting its exploration licence into an MDA.

The SPSA envisages the provision of a facility, by the indirectly, wholly owned Severstal subsidiary to AIOG, of up to \$15 million (U.S.) to finance the Putu Range iron ore project through to bankable feasibility study (BFS). The parties have undertaken to negotiate in good faith and use reasonable endeavours to enter into such facility agreement within 60 days after completion of the SPSA.

Company's holding in AIOG will be 38.5 per cent at completion. The parties have agreed to negotiate in good faith and use reasonable endeavours to enter into a shareholders' agreement to govern the relationship between the parties on or prior to completion.

The SPSA contains customary warranties and indemnities provided by Mano to the indirectly, wholly owned Severstal subsidiary.

The share purchase and subscription agreement between Mano and Severstal is dependent on a number of customary conditions, including Mano's successful conversion of its exploration licence into a full 25 year mineral development agreement with the government of Liberia, which is expected to take approximately four months from the date of the agreement being signed.