

# **MANO RIVER RESOURCES INC.**

## **Management's Discussion and Analysis**

### **For the nine months ended September 30, 2008**

The following discussion is management's assessment and analysis of the results and financial condition of Mano River Resources Inc. (the "Company" or "Mano") and should be read in conjunction with the accompanying unaudited consolidated financial statements and related notes for the nine months ended September 30, 2008. This management discussion and analysis has been prepared based on information available to Mano as at November 28, 2008. Unless otherwise indicated all amounts are in US dollars.

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com) or on the Company's website at [www.manoriver.com](http://www.manoriver.com).

#### **OVERVIEW**

##### **DESCRIPTION OF BUSINESS**

Mano is an exploration and development company engaged in the exploration and development of gold, diamond and iron ore properties in Africa. The Company, through its subsidiaries, holds interests in mineral properties in Liberia, Sierra Leone, Guinea and the Democratic Republic of Congo (DRC), with the aim of developing them to a stage where they can be exploited economically or arranging joint ventures whereby partner companies provide the funding and expertise for development and exploitation. Full scale diamond exploration in the DRC started in 2008.

##### **OPERATIONS**

Mano's fundamental strategy is to unlock the value of its exploration assets and increase shareholder value by driving these assets towards production. The Company's exploration assets are housed in three divisions: namely iron ore, diamonds and gold.

The Company is targeting a potential resource of up to 900 million tonnes at its Putu Iron Ore Project in southeastern Liberia. In quarter two 2008 the Company signed certain financial and development agreements on the Putu Iron Ore Project with Severstal and applied to convert its exploration licence into an MDA (Mineral Development Agreement). In October 2008 Mano announced that the Government of Liberia had granted the Company a two year extension to its Putu Iron Ore exploration licence, extending it to September 30, 2010. The resource definition drilling programme which commenced in quarter two 2008 is progressing well with over 3,000 metres drilled to-date.

In 2007 diamond assets were transferred into Stellar Diamonds Limited (Stellar). The intention to list Stellar on London's AIM stock exchange has been postponed. Mano currently owns 63.17% of Stellar as a result of private equity financings completed by Stellar. Exploration is currently on hold pending receipt of proceeds from the current private placement. When funding is secured the intention is to progress the two near-term diamond production projects at Kono in Sierra Leone and at Mandala in Guinea. The 49% owned Kono joint venture project with Petra Diamonds has moved into underground trial mining with good diamond grades achieved to date. Valuations on the stones from the first Kono commercial tender in September 2008 resulted in the sale of 866 carats at an average value per carat of US\$152. The 100% owned Mandala alluvial diamond project in Guinea has progressed and the DMS processing plant is being transferred to Mancenta.

The key asset in the Gold division is 100% owned New Liberty Gold project (NLGM) in Liberia where Mano has been drilling in order to expand the 2007 NI 43-101 estimated gold resource of 1.4 million contained ounces (13.533 million tonnes of measured and indicated resources grading 3.18 g/t gold). The most recent drill programme was completed in quarter two and in all 4,485 metres was drilled. The results received to date are highly encouraging and confirm that gold mineralisation continues at depth.

## **EXPLORATION PROJECTS – CURRENT & SUBSEQUENT DEVELOPMENTS**

### **IRON ORE**

#### **CURRENT EVENTS**

During quarter three of this year progress continued on the 4,000 metre diamond drill programme at Putu. Five holes were completed this quarter with a cumulative total depth of 2160.5 metres. The drilling was in tandem with construction of drill access routes, drill pads, core cutting and general camp construction. Construction started on a new access road 150 metres down the southeast slope from the ridge crest. Rehabilitation of the old Zimbabwe Road started and this will give access to the central portion of the Jiddah Mountain Ridge. The general geological sequence intersected by drilling to date appears to be a surface laterite unit followed by oxidized limonite/goethite/haematite itabarite with decreasing oxidation at depth. The current drill programme should be completed by the end of quarter four 2008. Dependent on the turn around time at the lab we hope to receive the final assay results by the end of quarter one 2009.

#### **SUBSEQUENT EVENTS**

On November 28, 2008 the Company announced that the joint Boards of Mano & OAO Severstal would like to confirm 'Closing of the Agreement' on their joint operation of the Putu project. Financial, legal and technical due diligence is substantially complete and Severstal Resources has already advanced project funds, as per the facility in the agreement signed on the 22 May 2008. The amount received by the Company on the 27 October 2008 was the pre-agreed sum of US\$1 million.

Completion of the deal is formally set for 10 December 2008.

The monetary terms of the original agreement remain unchanged and on completion Severstal Resources, through its wholly owned subsidiary, will take up its right to become a 61.5% shareholder in the Company's iron ore subsidiary by investing US\$30M to advance the Putu iron ore project to a definitive feasibility study. On completion, US\$8.3 million will be released to Mano with the balance of US\$4.2 million to be paid two years from the date of completion on the 10 December 2010.

The Company announced on October 24 2008 that the Government of Liberia has granted a two year extension to its Putu Range Iron Ore exploration licence, extending it to September 30, 2010. This licence extension enables the Company to proceed to close the agreement previously signed on the May 22, 2008 with its chosen iron ore partner, Severstal, having satisfied all material legal requirements.

### **DIAMONDS**

#### **CURRENT EVENTS**

Exploration and trial mining operations at our Kono project in Sierra Leone (a Joint Venture between Stellar (49%) and Petra Diamonds Limited (51%)), continues to yield encouraging results. The first parcel of Kono test production (1,064 carats) was sold on tender in September 2008, with the Pol-K shaft parcel of 866 carats achieving an average value per carat of US\$152.

As trial mining and regular sales continue, we will further establish the parameters for a production decision which is expected during quarter one, 2009. A 3,167 line km airborne electromagnetic geophysical survey has been completed by Fugro Airborne Surveys, the objective being the discovery of kimberlite pipes and blows.

Stellar's on-going financial commitment to the Kono project is dependent on the successful closure of the current private placement. Mano's intention is to participate in this private placement along with other Stellar shareholders pending receipt of funds from Severstal.

### **GOLD**

#### **CURRENT EVENTS**

There was little activity on the Mano gold projects during quarter three 2008. Plans for the 2009 season have been prepared but are dependent on closing the Severstal agreement and receipt of the \$12.5 million in cash under its terms. Following the work completed by consultants earlier in the year the main targets

# **MANO RIVER RESOURCES INC.**

## **Management's Discussion and Analysis**

### **For the nine months ended September 30, 2008**

apart from the NLGM project in Liberia are Silverhills, Gondoja and Ndablama. The Company has contracted the services of AMC Consultants (UK) Ltd to review the possible mining methods at NLGM associated with this type of archean, steeply dipping deposit. On the basis of this the Company is designing an appropriate in-fill drilling programme to an approximate depth of 300 metres.

#### **CORPORATE**

##### **CURRENT EVENTS**

On September 9, 2008 the Company was notified by Malcolm Burne, a Non-Executive Director of the Company, that he purchased 500,000 common shares at 7.25 pence per share on September 3, 2008. His holding of common shares in the Company has increased to 900,000 shares, representing approximately 0.28% of the Company's issued share capital.

On July 3, 2008 the Company announced that it was notified by David Evans, Executive Chairman of the Company, that he purchased 200,000 common shares at 10.75 pence per share on June 27, 2008. His holding of common shares in the Company has increased to 1,200,000 shares, representing approximately 0.38% of the Company's issued share capital.

On July 3, 2008 Mano announced that it was notified by Eastbound Resources Limited, a company controlled by Non Executive Director Guido ('Guy') Pas, that it had acquired 4,645,672 common shares off market for an average consideration of 11.84p per share on June 30, 2008. This brings the total number of shares owned by Eastbound to 28,200,191 shares, and the total number of shares indirectly and directly controlled by Mr Pas to 30,400,191 shares, which represents approximately 9.56% of the Company's issued share capital.

##### **SUBSEQUENT EVENTS**

On October 31, 2008 the Company announced the following Director share dealings:

- Eastbound Resources Limited, a company controlled by Non Executive Director Guido ('Guy') Pas, acquired 500,000 common shares for a consideration of 3.75 pence per share on 30 October, 2008. This brings the total number of shares owned by Eastbound to 28,700,191 shares, and the total number of shares indirectly and directly controlled by Mr Pas to 30,900,191 shares, which represents approximately 9.72% of the Company's issued share capital.
- David Evans, Executive Chairman of the Company, purchased 500,000 common shares at 3.5 pence per share on 30 October, 2008. His holding of common shares in the Company has increased to 1,700,000 shares, representing approximately 0.53% of the Company's issued share capital.
- Malcolm Burne, a Non-Executive Director of the Company, purchased 500,000 common shares at 3.375 pence per share on 29 October, 2008. His holding of common shares in the Company has increased to 1,400,000 shares, representing approximately 0.44% of the Company's issued share capital.

#### **SUMMARY OF PERFORMANCE**

##### **SELECTED FINANCIAL INFORMATION**

The following table provides a summary of the unaudited financial information of the Company for the nine month period ended September 30, 2008 and the annual audited financial information for the three most recently completed financial years as derived from the audited consolidated financial statements and is prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

US Dollars	Nine months period ended September 30	Year ended December 31	Year ended January 31	Year ended January 31
	2008	2007	2007	2006
Interest income	72,316	148,041	53,181	117,927
Dilution gain	1,830,620	6,207,642	-	-
Net income/(loss)	(7,103,984)	4,017,642	(959,609)	(1,348,265)
Basic and diluted income/(loss) per share	(0.023)	0.014	(0.004)	(0.006)
Stock option compensation expense	1,314,755	190,003	513,361	397,829
Working capital	(2,389,117)	2,868,877	428,368	3,015,165
Total assets	47,082,223	45,501,911	28,866,715	22,287,420
Exploration expenditure in the year	8,171,920	6,526,656	8,443,801	4,291,377

### **SUMMARY OF SELECTED QUARTERLY INFORMATION**

The following is the selected financial information of the Company for the last eight quarters: (unaudited)

US Dollars	September 30	June 30	March 31	December 31
	2008	2008	2008	2007
Interest income	21,415	32,676	18,225	79,784
Dilution gain	-	442,840	1,387,780	6,207,005
Net income/(loss)	(5,362,222)	(996,109)	(745,653)	5,257,878
Basic and diluted income/(loss) per share	(0.017)	(0.003)	(0.002)	0.018
Total assets	47,082,223	51,393,067	48,617,142	45,501,911
US Dollars	October 31	July 31	April 30	January 31
	2007	2007	2007	2007
Interest income	55,272	5,213	7,772	14,496
Dilution gain	-	-	-	-
Net loss	(466,135)	(496,668)	(277,433)	(139,287)
Basic and diluted loss per share	(0.002)	(0.002)	(0.001)	(0.001)
Total assets	46,105,356	46,672,577	29,813,909	28,866,715

### **RESULTS OF OPERATIONS**

#### **Review of three months ended September 30, 2008 and the three month period ended October 31, 2007.**

The Company earned interest income of \$21,415 down \$33,857 versus the October 2007 figure reflecting a lower average cash balance in the September quarter. In light of the current market situation it is not possible to continue to explore all the projects on the Company's books. Therefore, management has reviewed its portfolio of projects and their carrying values and has decided to cancel the licences on those projects deemed uneconomic. This has resulted in an impairment charge of \$5,161,333 (AAR Liberia diamond project \$429,072; Guinea Iron Ore \$46,500; gold projects, Missamana/Gueliban (Guinea) \$3,847,532 and Pampana (Sierra Leone) \$838,229) in quarter three 2008, versus a nil charge in quarter three 2007. The projects that have been impaired in quarter three have received minimal funding over the past two years and are not key assets within the Company's project portfolio. In quarter three 2008

# **MANO RIVER RESOURCES INC.**

## **Management's Discussion and Analysis**

### **For the nine months ended September 30, 2008**

the unrealised gain on the convertible debentures arose of \$409,170 due to the weakening of the UK pound in which the debentures are denominated in versus the US dollar. There was no unrealised gain/loss on the convertible debentures in quarter three 2007. Depreciation recorded in quarter one 2008 for the Mandala plant equipment was reversed in quarter three as the equipment is now unlikely to be in operation during the current fiscal year. The loss in the quarter of \$5,362,222 (quarter three 2007:\$466,135) is \$4,896,087 above the quarter three 2007 loss and as explained above is mainly due to the project impairment charge in the period.

#### **Review of the nine months ended September 30, 2008 and the nine month period ended October 31, 2007.**

During the nine months ended September 30 2008, the Company incurred a net loss of \$7,103,984 or \$0.023 loss per share as compared to a loss of \$1,240,236 or \$0.004 loss per share in the nine months ended October 31, 2007. The increase in loss of \$5,863,748 has arisen for a number of reasons which are detailed below:

1. Project impairment charge of \$5,161,333 did not feature in nine months ended October 31 2007;
2. Stock based compensation of \$1,314,755 relates to stock options granted in January 2008, which in fact relate to 2007, but were not granted due to an extended close period under London AIM stock exchange rules. A minimal charge was recorded in 2007 of \$170,656.
3. Directors fees (\$258,787) and Management fees (\$536,947) are higher than last year reflecting the additional cost of the independent Stellar Board and the recruitment of key management personnel in quarter four 2007 and quarter one 2008.
4. Professional fees of \$1,678,447 (2007:\$666,937) included expenses related to the proposed listing of Stellar on London's AIM stock exchange such as legal, and audit and accounting services, fees to implement a new accounting and reporting system and consultancy fees.
5. Administrative and office expenses at \$825,404 (2007:\$7,785) includes the cost of the London office not in the figures last year, additional staff costs and higher public and investor relations. The main cost items are travel (\$335,424), salaries and wages (\$174,592), public and investor relations (\$131,159), office and property costs (\$135,539).

The expenses for the period were partly off-set by:

1. A "dilution gain" amounting to \$1,830,620 arising from the issue of shares by Stellar to private investors at a price higher than the initial price at which the Company transferred the diamond properties to Stellar in 2007.
2. The non-controlling interest of \$742,155 represents the minority shareholders' share of Stellar's loss for the period.
3. Interest income of \$72,316 for the period is marginally above last years income (\$68,257).
4. An unrealised gain on the convertible debentures has been recognised in the period of \$718,210 as the underlying currency is the UK pound which has weakened during the period.

#### **BALANCE SHEET, LIQUIDITY AND CAPITAL RESERVES**

The Company had a negative working capital at September 30 2008, of (\$2,389,117) compared with a positive working capital of \$2,868,877 at 31 December 2007. The reduction in working capital of \$5,257,994 is due to lower cash and cash equivalents (\$3,099,280) arising from increased exploration expenditure, and higher commitments to related parties and joint venture partners.

Property, plant and equipment increased by \$1,822,364 over the 2007 year end figure due primarily to the money spent on the diamond processing plant for the Mandala project in Guinea.

Resource properties at \$6,440,092 are down \$2,448,500 on December 31, 2007 figure due to the impairment charge recorded at September 30, 2008.

Deferred exploration costs of \$35,377,137 are \$5,459,087 above the December 31, level. The main project expenditure includes: \$2.0 million on the Kono/Petra diamond joint venture in Sierra Leone; \$1.6 million spent at the Putu iron ore project in Liberia; \$1.5 million in Liberia on the New Liberty Gold Mine, \$0.7 million on Kpo/MCA diamond projects; and \$0.7 million on the Mandala project in Guinea. At September 30, 2008 an impairment charge of \$2,712,833 was recorded against deferred explorations costs.

Share capital increased by \$3.9 million following the successful private placement with Severstal in May 2008.

Cash outflow from operating activities during the nine months ended September 30, 2008 is \$2,360,727 (2007: \$1,279,960) after adjusting for the non-cash activities. Cash outflow on investing activities amounted to \$8,961,438 and included deferred exploration expenditure of \$8,171,920 and \$1,866,503 on the purchase of capital assets principally for the diamond processing plant for the Mandala project. The comparative figure spent on investing activities during the nine month period to October 31, 2007 was \$5,859,819.

Cash in-flow from financing activities for the nine months to-date is \$8,195,491 compared to \$13,999,460 for the nine months ended October 31, 2007. Besides the \$3.9 million raised in the Severstal private placement, \$4.7 million was raised through a private placement in Stellar. Interest paid on the convertible debentures amounted to \$412,037.

Cash and cash equivalents at September 30, 2008 is \$1,000,907, down from \$4,100,187 at December 31, 2007.

## **OTHER INFORMATION**

### **Outstanding share data**

The Company is authorised to issue an unlimited number of common shares without par value. As at November 28, 2008 there were 317,810,818 common shares outstanding.

Outstanding share options at September 30, 2008 are outlined below. This includes 9,045,000 share options granted during the period.

Number of Common Shares	Exercise price Per share (Cdn\$)	Expiry date
2,720,000	0.240	March 23, 2009
2,620,000	0.215	July 25, 2010
2,980,000	0.230	July 31, 2011
600,000	0.230	March 16, 2012
300,000	0.230	May 31, 2012
9,045,000	0.200	Jan 23, 2013
18,265,000		

As at September 30, 2008, 20,000,000 share purchase warrants were outstanding at an exercise price of 0.14 with an expiry date of November 29, 2009. These warrants were issued to Severstal as part of the private placement completed on May 29, 2008.

### **Convertible debentures**

On September 27, 2007 the Company entered into convertible subscription agreements to raise £2.3 million with certain lenders. 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

# MANO RIVER RESOURCES INC.

## Management's Discussion and Analysis

### For the nine months ended September 30, 2008

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.

#### Off balance sheet arrangements

The Company does not have any off-balance sheet arrangements and does not contemplate having them in the foreseeable future.

#### Related party transactions

During the nine months ended September 30, 2008 the Company incurred billings of \$1,078,153 (October 31, 2007 - \$311,785) from related parties for management fees, directors fees and professional services. The increase over 2007 is due to the formation of the Stellar Board of Directors which has been treated as a related party for purposes of the consolidation as well as higher management and director fees. All transactions with related parties have occurred in the normal course of operations. As at September 30, 2008 the amount due to related parties totaled \$580,942 (December 31, \$174,367). These balances have no fixed terms of repayment and have arisen from the accrued provision of services referred to above and reimbursable expenses.

#### 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 quarter three 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 following amounts have been written off at September 30, 2008:

	Country	Carrying value \$	Net Recoverable \$	Impairment in the Income/(loss) Statement \$
Acquisition Costs	Sierra Leone	1,695,000	1,186,500	508,000
	Guinea	6,873,592	4,933,592	1,940,000
	<b>Total</b>	<b>8,888,592</b>	<b>6,440,092</b>	<b>2,448,500</b>

	Country	Carrying value \$	Net Recoverable \$	Impairment in the Income/(Loss) Statement \$
Deferred Exploration Costs	Liberia	24,462,659	24,033,587	429,072
	Sierra Leone	9,775,838	9,446,109	329,729
	Guinea	3,969,926	2,015,894	1,954,032
	DRC	490,800	490,800	-
	<b>Total*</b>	<b>38,699,223</b>	<b>35,986,390</b>	<b>2,712,833</b>

\* Pre 2007 recovery relating to sale of mineral property on consolidation of Stellar (\$1,084,825).

The total impairment charge recorded in the Income/(Loss) Statement is \$5,161,333. This relates to the following projects: AAR Liberia diamond project \$429,072; Guinea Iron Ore project \$46,500, Missamana/Gueliban gold project (Guinea) \$3,847,532 and Pampana gold project (Sierra Leone) \$838,229. The projects that have been impaired in quarter three have received minimal funding over the past two years and are not key assets within the Company's project portfolio.

## **Going Concern**

### **Mano**

At September 30, 2008 the Company has \$1,000,907 in cash and cash equivalents. As mentioned under Iron Ore – Subsequent events, the Company announced on November 28 that it expects the closing of the agreement with Severstal to take place on December 10, 2008. As part of Severstal's commitment to completing the agreement with Mano they advanced \$1 million to the Company on October 27, 2008 as part of the agreed loan facility.

The current cash and cash equivalent holding is sufficient to meet the Company's working capital requirements up until the end of February 2009. As stated in a release dated November 28, 2008 the Directors have a high expectation that the Severstal agreement will be completed on December 10 which will provide for US\$30 million into AIOG to advance the Putu iron ore project to a definitive feasibility study and simultaneously release US\$8.3 million to Mano plus US\$4.2 million to be paid two years from the date of completion on the 10 December 2010. These funds will be used primarily to advance the gold and diamond strategy.

### **Stellar**

Stellar, Mano's 63.17% majority owned subsidiary is currently raising finance capital through a private placement which is scheduled to close by the end of quarter four 2008. Exploration is currently on hold pending receipt of proceeds from this private placement. It is the intention of Mano to contribute to this placement along with other Stellar shareholders pending receipt of funds from Severstal.

## **FORWARD-LOOKING STATEMENTS**

Certain information included in this document may constitute forward-looking statements. Forward-looking statements are based on current expectations and entail various risks and uncertainties. These risks and uncertainties could cause or contribute to actual results that are materially different from those expressed or implied. Factors that could cause actual results or events to differ materially from current expectations include but are not limited to: the grade and recovery of ore which is mined varying from estimates; estimates of future production, mine development costs, timing of commencement of operations; changes in exchange rates; access to capital; fluctuations in commodity prices; and adverse political and economic

# **MANO RIVER RESOURCES INC.**

## **Management's Discussion and Analysis**

### **For the nine months ended September 30, 2008**

developments in the countries in which we operate. Although the Company believes that the assumptions inherent in the forward-looking statements are reasonable, forward-looking statements are not guarantees of future performance and accordingly undue reliance should not be put on such statements due to the inherent uncertainty therein.

#### **TRENDS**

Up until recently commodity prices had increased significantly on the back of a steady increase in the worldwide demand for commodities driven by burgeoning demand from Asia, in particular China and India. Despite the increased prices, both the capital expenditure required to build and sustain new production and the ongoing cash operating costs had also risen substantially. Increases in unit costs are attributable mainly to higher prices for energy, labour, equipment, consumables and contractors. Obtaining skilled geologists and other technicians is still difficult leading to higher operating costs especially for exploration companies. The current financial crisis has seen demand for commodities fall and in turn a significant fall in prices has taken place. With access to capital more difficult, fewer companies are now listing on stock markets. The Company's majority owned subsidiary Stellar has decided to postpone its listing on London's AIM stock exchange due to the difficult market conditions for raising finance. Although there is limited funding available, companies with highly prospective projects can still attract the investment. Mano was able to attract investors for its highly prospective Putu iron ore project in Liberia, concluding agreements with Severstal, a leading steel and natural resources company. The financial crisis has also negatively impacted the market value of exploration and mining companies on world markets.

#### **RISKS AND UNCERTAINTIES**

The Company is subject to a number of risk factors due to the fundamental nature of the exploration business in which it is engaged, the countries in which it primarily operates and not least adverse movements in commodity prices. In recent months the fall in commodity prices has affected the economics of both existing and potential mines. Mano seeks to counter exploration risk as far as possible by selecting exploration areas on the basis of their recognised geological potential to host high grade gold, diamond and iron ore deposits. The under-explored Archaean terrain on which the Company focuses in West Africa is also subject to a second significant risk, namely, political. While the region has suffered serious civil unrest and armed conflict in the past (which is the basic reason why it remained under-explored), conditions have improved markedly in recent years. Mano's newest exploration territory, the DRC, is currently experiencing increased unrest, but fortunately for now, this is not affecting the areas where the Company has its exploration projects. In addition the DRC forms only a small part of the diamond focus for Stellar. The following risk factors should be given special consideration when evaluating an investment in the Company's shares:

##### **(1) Exploration, development and operating risk**

The Company is engaged in the exploration of mineral properties, an inherently risky business, and there is no assurance that an economic mineral deposit will ever be discovered. Most exploration projects do not result in the discovery of commercially mineable ore deposits. The focus of the Company is on areas in which the geological setting is well understood by management. The technological tools employed by the Company are regularly updated to better focus our exploration efforts.

##### **(2) Reserve and resource estimates**

The estimation of mineral resources and reserves is in part an interpretive process and the accuracy of any such estimates is a function of the quality of available data, and of engineering and geological interpretation and judgement. No assurances can be given that the volume and grade of reserves recovered, and rates of production achieved, will not be less than anticipated. The Company contracts the services of independent professional experts to prepare resource and reserve estimates.

##### **(3) Political and country risks**

The political risk in sub-Saharan Africa is significant due to prolonged periods of economic and political instability in the area. However, in recent years there has been considerable progress in rebuilding the

government institutions and economy in the three key countries in which we operate, namely Liberia, Guinea and Sierra Leone. These countries will continue to need the support of the international community for security and economic assistance to ensure they are successful in creating a prosperous future for their citizens.

#### **(4) Gold and diamond prices**

The price of gold is affected by numerous factors totally beyond the control of the Company, including central bank sales, producer hedging activities, the exchange rate of the U.S. dollar relative to other major currencies, demand, political and economic conditions and production levels. In addition, the price of gold has been volatile over short periods of time due to speculative activities. The prices of diamonds, iron ore and other minerals that the Company may explore for, also have the same or similar price risk factors.

#### **(5) Cash flows and additional funding requirements**

Mano currently has no revenues from operations although revenues from diamond production will be recognised when the 49% owned Kono diamond project in Sierra Leone enters full scale production in 2009 as currently projected. The Company has historically entered into joint venture agreements with partners to share the risks and the associated cost of exploration. In addition the Company has raised finance through the sale of equity capital and the placement of unsecured convertible debentures. Although Mano has been successful in the past in obtaining finance, there is no assurance that it will be able to obtain adequate finance in the future or that such finance will be on terms advantageous to the Company. As noted above the Company successfully raised \$3.9 million through a private placement with Severstal in May 2008. The agreement with Severstal also provides for a total of \$30 million into AIOG and on completion, US\$8.3 million is expected to be released to Mano with US\$4.2 million to be paid two years from the date of completion on the 10 December 2010.

#### **(6) Exchange rate fluctuations**

Fluctuations in currency exchange rates can significantly impact cash flows. The U.S. dollar exchange rate in particular has varied substantially over time. Since quarter two the US dollar has strengthened considerably vis-à-vis the pound. While the Company has historically raised a large proportion of its equity financing in UK pounds most of the Company's exploration costs, are denominated in U.S. dollars. Fluctuations in exchange rates may give rise to foreign currency exposure, either favourable or unfavourable, which may impact financial results. Mano does not engage in currency hedging to offset the risk of exchange rate fluctuation.

#### **(7) Environmental**

Mano's exploration and development activities are subject to extensive laws and regulations governing environmental protection. The Company is also subject to various reclamation-related requirements. The Company takes extremely seriously its commitment towards the local communities and the environment in which it operates. The Company's policy is to meet all applicable environmental regulations. A failure to comply may result in enforcement actions causing operations to cease or be curtailed, the imposition of fines and penalties, and may include corrective measures requiring significant capital expenditures. In addition, certain types of operations require the submission and approval of environmental impact assessments. As far as the Company is aware it has complied with all environmental regulations in relation to the licences it holds.

#### **(8) Laws and regulations**

Mano's exploration activities are subject to local laws and regulations governing prospecting, development, production, exports, taxes, labour standards, occupational health and safety, mine safety and other matters. Such laws and regulations are subject to change and can become more stringent, and compliance can therefore become more costly. The Company applies the expertise of its management, its advisors, its employees and contractors to ensure compliance with current laws.

#### **(9) Title to mineral properties**

While the Company has undertaken all the customary due diligence in the verification of title to its mineral properties, this should not be construed as a guarantee of title. The properties may be subject to prior unregistered agreements or transfers and title may be affected by undetected defects.

# **MANO RIVER RESOURCES INC.**

## **Management's Discussion and Analysis**

### **For the nine months ended September 30, 2008**

#### **(10) Competition**

There is constant competition from other mineral exploration companies, with operations similar to those of the Company. Many of the mining companies with which the Company competes have operations and financial resources substantially greater than those of Mano.

#### **(11) Dependence on management**

Mano relies heavily on the business and technical expertise of its management team and there is little possibility that this dependence will decrease in the near term. In 2007 changes were made to the management and the composition of the Board which have made the Company stronger and better able to exploit the value of its exploration assets. In 2008 the financial management of the Company has been strengthened with the appointment of a CFO for Mano, a Finance Director for Stellar and a Financial Controller. Mano has no key-man insurance.

#### **MANAGEMENTS RESPONSIBILITY FOR FINANCIAL REPORTING AND CONTROLS**

The unaudited interim consolidated financial statements of the Company for the three months and nine months periods ended September 30, 2008 have been prepared by management in accordance with Canadian Generally Accepted Accounting Principles (GAAP) and have been approved by the Company's Board of Directors.

Management is responsible for establishing and maintaining a system of controls and procedures over the public disclosure of financial and non-financial information regarding the Company. Management is also responsible for the design and maintenance of effective internal control over financial reporting to provide reasonable assurance regarding the integrity and reliability of the Company's financial information and the preparation of its financial statements in accordance with Canadian generally accepted accounting principles.

Management maintains appropriate information systems, procedures and controls to ensure the integrity of the financial statements and that information used internally and disclosed externally is complete and reliable. Management of the Company, including our Chief Executive Officer and Chief Financial Officer, do not expect that our disclosure controls and internal control procedures will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within Mano River have been detected.

However, given the nature of the business and geographical displacement, the management is committed to continuously mitigate any risks and systematically improve operating controls where and when possible in a cost effective manner.

Management recognise the limitation of segregation of duties due to the size of the organisation and are committed to mitigating such risks by introducing compensatory controls.

The Board is responsible for ensuring that Management fulfils its responsibilities for financial reporting and internal control. The Board carries out this responsibility principally through its Audit Committee. The Audit Committee is appointed by the Board and meets periodically with management and the external auditor to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy itself that each party is properly discharging its duties and responsibilities and to review the Consolidated Financial Statements.

## **OUTLOOK**

On the Putu iron ore project in Liberia the Company has been awarded a two year extension to its exploration licence. The key priority in 2009 is to substantially advance the resource drilling programme and metallurgical testing. The process to receive a 25 year Mineral Development Agreement is on-going with talks likely to resume in 2009. We believe our partner on Putu, Severstal, gives Mano the financial and technical ability necessary to take the Putu project forward to feasibility.

As soon as Stellar secures its financing requirements it will focus on fast tracking the Kono project, in Sierra Leone, operated by its partner Petra, and the Mandala project in Guinea, through to commercial production and cash flow. A listing by Stellar on London's AIM stock exchange has been postponed until market conditions improve. Mano's strategy in diamonds is to continue to dilute its investment in Stellar as Stellar becomes more autonomous and creates value enhancing options for Mano.

In the gold division, the Company's objectives, once funds from Severstal have been received, are to upgrade the current 1.4 million ounce gold resource at the NLGM project in Liberia to Measured category and define a substantial new resource in the Indicated category. Following this, a new feasibility study will be prepared with the objective of taking NLGM to a production decision. The Company has the skills to take projects like NLGM into production with a Board that has proven experience in successfully bringing developments to fruition.

The outlook for the mining and exploration industry is uncertain over the short term. Therefore, the Company is reviewing all costs and refocusing its activities on its key projects and dropping those projects it deems uneconomic. Finalising the Severstal agreement is the key priority for the Company as this will secure our medium term funding requirements and enable the Company to implement its operational initiatives.

On Behalf of the Board,  
MANO RIVER RESOURCES INC.

*(Signed)* LUIS G. CABRITA da SILVA

LUIS G. CABRITA da SILVA  
President and CEO