

*Consolidated Interim Financial Statements of*

**MANO RIVER RESOURCES INC.**

*For The Three Months Ended April 30, 2004*

*(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 period ended April 30, 2004.

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 Sheets

(Prepared by Management without audit)

(Stated in U.S. Dollars)

	Three months ended April 30, 2004 \$ (unaudited)	Year ended January 31, 2004 \$ (audited)
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	3,325,719	3,893,552
Accounts receivable	135,092	122,831
Due from joint venture partners (Note 3)	313,714	-
	3,774,525	4,016,383
<b>Investments (Note 4)</b>	34,496	34,496
<b>Resource properties (Note 5)</b>	3,955,000	3,955,000
<b>Deferred exploration costs</b>	8,875,075	8,640,584
<b>Reclamation bonds (Note 6)</b>	340,610	340,610
	16,979,706	16,987,073
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	60,635	111,188
Due to related parties (Note 10)	407,232	406,543
	467,867	517,731
<b>Provision for reclamation (Note 6)</b>	340,610	340,610
<b>Convertible debenture (Note 8)</b>	-	187,745
	808,477	1,046,086
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 7)	21,461,793	21,132,143
Contributed surplus	662,846	217,955
Equity component of convertible debenture	-	96,000
Cumulative translation difference	(21,755)	(21,755)
Deficit	(5,931,655)	(5,483,356)
	16,171,229	15,940,987
	16,979,706	16,987,073

APPROVED BY THE DIRECTORS:

"TOM G. ELDER" (Signed)

Director

"GUY E. PAS" (Signed)

Director

# MANO RIVER RESOURCES INC.

## Consolidated Statements of Loss

(Prepared by Management without audit)

Stated in U.S. Dollars)

	Three months ended April 30, 2004 \$ (unaudited)	Three months ended April 30, 2003 \$ (unaudited)
<b>Revenue</b>		
Interest income	20,381	1,853
<b>Expenses</b>		
Administrative and office expenses	1,882	1,275
Bank and interest charges	16,961	3,134
Directors fees	2,500	2,000
Foreign exchange loss (gain)	(95,384)	4,349
Management fees	22,500	21,000
Mine maintenance expenses	9,170	9,361
Professional fees	59,621	31,218
Stock-based compensation	444,891	-
Transfer agent and regulatory fees	6,539	3,309
Travel and promotion	-	1,200
	468,680	76,846
<b>Loss for the period</b>	(448,299)	(74,993)
<b>Loss per share</b>	(0.002)	(0.001)
<b>Weighted Average Number of shares</b>	210,513,120	133,890,216

# MANO RIVER RESOURCES INC.

## Consolidated Statements of Deficit

*(Prepared by Management without audit)*

*Stated in U.S. Dollars)*

	Three months ended April 30, 2004 \$ (unaudited)	Year ended January 31, 2004 \$ (audited)
<b>Deficit, Beginning of year</b>	(5,483,356)	(4,731,704)
<b>Loss for the Period</b>	(448,299)	(751,652)
<b>Deficit, End of Period</b>	(5,931,655)	(5,483,356)

**MANO RIVER RESOURCES INC.**  
**Consolidated Statements of Cash Flows**  
*(Prepared by Management without audit)*  
*Stated in U.S. Dollars)*

	Three months ended April 30, 2004 \$ (unaudited)	Three months ended April 30, 2004 \$ (unaudited)
<b>Operating Activities</b>		
net loss for the period	(448,299)	(74,993)
Items not involving cash:		
Stock-based compensation	444,891	-
Accretion of liability component of convertible debenture	12,255	-
Changes in non-cash working capital accounts		
Due from joint venture partners	(313,714)	-
Accounts receivable	(12,261)	(15,772)
Accounts payable	(50,553)	4,707
	(367,681)	(86,058)
<b>Financing Activities</b>		
Issuance of share capital (net of costs)	33,650	-
Due to related parties	689	207,152
	34,339	207,152
<b>Investing Activities</b>		
Resource properties -		
Deferred exploration expenditures	(234,491)	(176,109)
	(234,491)	(176,109)
<b>Increase ( Decrease) In Cash</b>	(567,833)	(55,015)
<b>Cash, Beginning of Period</b>	3,893,552	184,116
<b>Cash, End of Period</b>	3,325,719	129,101

Supplemental disclosure of non-cash financing and investing activities:

During the quarter ended April 30, 2004, the Company issued 2,786,200 common shares on the conversion of a convertible debenture of \$200,000 due to a related party. (See Note 8). In addition on conversion an equity component amount of \$96,000 was credited to share capital account.

# MANO RIVER RESOURCES INC.

## Consolidated Statements of Deferred Exploration Costs

*(Prepared by Management without audit)*

*Stated in U.S. Dollars)*

	Three months ended April 30, 2004 \$ (unaudited)	Three months ended April 30, 2004 \$ (unaudited)
<b>Deferred exploration expenditures</b>		
Assays incl. Shipment	20,549	16,845
Communications	12,578	4,908
Consultants	14,160	19,125
Data, images, reports and maps	3,192	2,352
Licenses and permit fees	24,640	50,480
Project/field office costs, other	37,411	21,144
Recovered expenses	(22,531)	-
Salaries and wages	93,276	52,888
Subsistence	15,805	1,989
Transportation	35,411	6,378
<b>Net expenditures during the period</b>	<b>234,491</b>	<b>176,109</b>
<b>Balance, Beginning of period</b>	<b>8,640,584</b>	<b>7,647,211</b>
<b>Balance, End of period</b>	<b>8,875,075</b>	<b>7,823,320</b>

**MANO RIVER RESOURCES INC.**  
**Notes to the Financial Statements**  
**For The Three Months Ended April 30, 2004**

*(Prepared by Management without audit)*

*(Stated in U.S. Dollars)*

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**1. NATURE OF OPERATIONS AND CONTINUING OPERATIONS**

The Company is engaged in the acquisition, exploration and development of gold 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 realize 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 realize its assets at amounts significantly lower than the current carrying value.

**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 subsidiary, Mano River Resources Ltd. and its subsidiaries.

*(b) Cash and cash equivalents*

Cash and cash equivalents consists of cash on hand, deposits in banks and highly liquid investments with an original maturity of ninety days or less.

*(c) Investments*

Investments are recorded at the lower of cost and net realizable value

*(d) Stock-based compensation*

The Company has early adopted accounting standards that require that all stock-based awards made to non-employees and employees be measured and recognized using a fair value based method. Accordingly, the fair value of options at the date of grant is accrued and charged as an expense 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 are transferred to share capital.

**MANO RIVER RESOURCES INC.**  
**Notes to the Financial Statements**  
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**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

*(e) 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 capitalized by property.

*(f) Loss per share*

Loss per share is computed using the weighted average number of shares outstanding during the period.

**3. DUE FROM JOINT VENTURE PARTNERS**

During the quarter ended April 30, 2004, the Company expended \$112,875 in connection with the Regional Exclusive Prospecting Licence in Sierra Leone, this amount being recoverable from the joint venture partner incurring the exploration expenditures to earn an interest in the Company's project. In addition the Company expended \$395,852 on behalf of joint venture partner Golden Star Resources, who are also incurring exploration expenditures to earn their interest in the property. As at April 30, 2004, the Company had recovered \$195,013 from Golden Star Resources and \$200,839 remained recoverable as at April 30, 2004.

**4. INVESTMENTS**

	April 30, 2004	January 31, 2004
St. Andrew Goldfields Ltd.	\$ 34,496	\$ 34,496
	34,496	34,496

The St. Andrew Goldfields Ltd. Investment consists of 520,000 common shares with a quoted market value at April 30, 2004 of \$122,200 (January 31, 2004 -\$119,600)

**5. RESOURCE PROPERTIES**

	April 30, 2004	January 31, 2004
Acquisition costs		
Liberia, West Africa	\$ 320,000	\$ 320,000
Guinea, West Africa	1,940,000	1,940,000
Sierra Leone, West Africa	1,695,000	1,695,000
Closing balance	\$ 3,955,000	\$ 3,955,000

**MANO RIVER RESOURCES INC.**  
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**6. RECLAMATION BONDS AND CONTINGENCY**

As at April 30, 2004, term deposits totaling \$340,610 (January 31, 2004 - \$340,610) have been pledged to the State of Washington as security for reclamation costs on the Van Stone property. A reclamation provision has been accrued in the amount of \$340,610. The Company has completed an assessment of the reclamation and closure costs and it is anticipated that costs incurred will not exceed this provision. The Company will continually monitor the costs related to the Van Stone property and will make further provision if it is determined necessary.

**7. SHARE CAPITAL**

(a) *Authorized* - Unlimited common shares without par value

(b) *Issued*

	<u>Shares</u>	<u>Amounts</u>
Balance at January 31, 2003	133,890,216	\$ 15,867,323
Shares issued on private placement (net of costs)	66,250,000	4,762,147
Shares issued on exercise of warrants	7,530,000	386,126
Shares issued for settlement of debt	2,819,397	116,547
<b>Balance at January 31, 2004</b>	<b>210,489,613</b>	<b>21,132,143</b>
Shares issued on conversion of convertible debenture	2,786,200	296,000
Shares issued on exercise of stock options	130,000	33,650
<b>Balance at April 30, 2004</b>	<b>213,405,813</b>	<b>21,461,793</b>

During the period ended April 30, 2004:

- (c) the principal amount of the convertible debenture of \$200,000 was converted into 2,786,200 common shares of the Company at a price of £0.04 (\$0.07) per share. In addition equity component amount of \$96,000 was credited to share capital account. The accumulated interest of 6% per annum totaling \$23,500 was paid in cash subsequent to the period ended April 30, 2004
- (d) the Company granted stock options to certain directors, officers, consultants and employees to purchase up to 2,745,000 common shares of the Company at an exercise price of Cdn.\$0.24 per share exercisable until March 23,2009. In addition, 130,000 options were exercised for proceeds of \$33,650 and 2,410,000 options expired unexercised.

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**7. SHARE CAPITAL (continued)**

(e) As at April 30, 2004, the following stock options were outstanding:

Number of Common Shares	Exercise price per share (Cdn\$)	Expiry date
100,000	\$ 0.34	April 14, 2005
990,000	\$ 0.22	May 1, 2006
845,000	\$ 0.10	February 21, 2007
5,000,000	\$ 0.11	March 21, 2007
905,000	\$ 0.10	August 14, 2008
2,745,000	\$ 0.24	March 23, 2009
<u>10,585,000</u>		

(f) As at April 30, 2004, the following warrants were outstanding:

Number of Warrants	Exercise price per share	Expiry date
20,000	£ 0.04	January 3, 2005

**8. CONVERTIBLE DEBENTURE**

The Company entered into a convertible debenture agreement with respect to advances from a company controlled by a director. Advances totaling \$200,000 were under this debenture repayable on April 30, 2004, together with accumulated interest at 6% per annum. The principal amount was convertible by the holder into common shares of the Company at a price of £0.04 per share at any time prior to repayment.

During quarter ended April 30, 2004, the principal amount of the convertible debenture of \$200,000 was converted into 2,786,200 common shares of the Company at a price of £0.04 (\$0.07) per share. The accumulated interest of 6% per annum totalling \$23,500 was paid in cash subsequent to the quarter ended April 30, 2004.

**9. RELATED PARTY TRANSACTIONS**

During the year to date, the Company incurred billings of \$31,698 from related parties for management fees and professional services. All transactions with related parties have occurred in the normal course of operations. As at April 30, 2004, the amount due to related parties totals \$407,232. These balances are payable on demand and have arisen from the accrued provision of services referred to above and provision of short-term bridge financing. (See Notes 6(c) and 8.)

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**Notes to the Financial Statements**  
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**10. FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Company's financial assets and liabilities are cash and cash equivalents, accounts receivable, investments, accounts payable and accrued liabilities, 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 described in Note 3. Due to the nature of the Company's operations, there is no significant credit or interest rate risk. As at April 30, 2004, the Company held approximately \$2,091,598 cash in bank accounts denominated in U.K. currency. The Company has taken no action to reduce its exposure to foreign currency risk.