# MANO RIVER RESOURCES INC.

## Management's discussion and analysis

For the period ended April 30, 2004

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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 for the period ended April 30, 2004 and related notes. Unless otherwise indicated all amount are in US dollars (USD). The date of this management's discussion and analysis is June 25, 2004.

Additional information relating to the Company is available on SEDAR at www.sedar.com or on Company's website at www.manoriver.com

**Description of Business**

Mano River Resources Inc. is an exploration stage company engaged in the acquisition, exploration and development of gold and diamond properties. The Company through its subsidiaries holds interests in properties located in Liberia, Sierra Leone and Guinea with the aim of developing them to a stage where they can be exploited economically or arranging joint ventures whereby other companies provide funding for development and exploitation.

**Forward looking statements**

Certain information included in this discussion 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.

**Trends**

In recent years, the mineral exploration industry has been through a very difficult period, with low prices for both precious and base metals. Lack of interest led to low market capitalizations and large companies found it was easier to grow by purchasing companies or mines than to explore for them. This led to downsizing of large company exploration staffs and many professionals took early retirement or left the industry to pursue other careers. As a result of these trends, there are few good gold projects in the pipeline and a developing shortage of experienced explorationists. With improving metal prices and increasing demand, especially from Asia, supply difficulties may occur in the future and there is a discernible need for good exploration projects based on sound geological work. As junior companies (many of which are staffed by geologists who were formerly with large companies) find it easier to raise funds, they are leading the way in identifying properties of merit to explore.

**Risks and uncertainties**

The Company is subject to a number of risk factors due to the nature of the mining business in which it is engaged, not least adverse movements in commodity prices, which are impossible to forecast. The Company seeks to counter this risk as far as possible by selecting exploration areas on the basis of their recognized geological potential to host high grade (gold and diamond) deposits. The area of 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 recent past (which is the basic reason why it remained under-explored), conditions have improved markedly in recent years. Mano field teams have operated safely in Sierra Leone since early 2002 and, following the completion of the comprehensive UN-led disarmament and retraining programme for former combatants in Liberia, Mano is confident that conditions will allow work to recommence in the Bea and Kpo licences after the rainy season, i.e. as early as October, 2004.

**Industry**

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 and subsequently put into production. Most exploration projects do not result in the discovery of commercially mineable ore deposits. The geological focus of the Company is on areas in which the geological setting is well understood by management and technological tools are regularly used and updated to better focus exploration efforts.

**Reserve and resource estimates**

The estimation of mineral resources and reserves is a subjective 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 will not be less than anticipated.

**Gold and metal prices**

The price of gold is affected by numerous factors beyond the control of the Company including central bank sales, producer hedging activities, the relative exchange rate of the U.S. dollar with 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 price of other metals and mineral products that the Company may explore for all have the same or similar price risk factors.

**Cash flows and additional funding requirements**

The Company currently has no revenues from operations. If any of the Company's exploration programs are successful and optionees of properties complete their earn-in, the Company would have to provide its share of ongoing exploration and development costs in order to maintain its interest in the projects, or be diluted and reduced to a royalty interest. Substantial additional capital would be required to put a property into commercial production. The sources of funds currently available to the Company for its exploration stage projects are either the sale of equity capital or the offering of an interest in its projects to another party. Although the Company presently has sufficient financial resources to undertake its currently planned exploration programs and has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

**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, and the Company has historically raised a large proportion of its equity financing in UK currency while most of the Company's exploration expenses 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. The Company does not engage in currency hedging to offset any risk of exchange rate fluctuation.

**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 conditions. Although the Company closely follows and believes it is operating in compliance with all applicable environmental regulations, there can be no assurance that all future requirements will be achievable on reasonable terms. Failure to comply may result in enforcement actions causing operations to cease or be curtailed and may include corrective measures requiring capital expenditures.

**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, 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.

**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.

**Competition**

There is competition from other mining 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 greater than those of Mano.

**Dependence on management**

Mano strongly depends on the business and technical expertise of its small management team and there is little possibility that this dependence will decrease in the near term. Mano has no key-man insurance.

**Operations**

Having selected gold and diamonds as its commodities of prime interest, Mano's fundamental strategy since its inception has been to target highly prospective under-explored Archaean terrain in Liberia, Sierra Leone and Guinea, West Africa. In both Sierra Leone and Liberia, important additions to Mano's property portfolio were announced in the quarter ended April 30$^{th}$, 2004, culminating in the acquisition of contiguous cross-border licences totaling 25,000 km2 and extending from the Kono diamond district in Sierra Leone south eastwards to Kpo in Liberia, where Mano made the first ever discoveries of diamondiferous kimberlite pipes in Liberia in 2001. Drilling is now well under way on the Yirisen gold project in Pampana, Sierra Leone, with extremely encouraging results from the first holes.

**Corporate**

In April 2004, Mano announced the appointment of Mr. Greg Nowak as Regional Manager for Sierra Leone, Liberia and Guinea, based in Freetown, Sierra Leone. Since 1996, Mr Nowak has been the Exploration & Country Manager for Ashanti Goldfields in Côte d'Ivoire, Mali & Sierra Leone. His exploration and management experience spans over 20 years, with over 15 years focused on the Precambrian Birimian greenstone belts and Archaean basement rocks of West Africa. A fellow of the Society of Economic Geologists and member of the Geological Society of America, Mr Nowak holds an M.S. from the Mackay School of Mines, Nevada, USA.

**Exploration projects**

Within Mano, there is a continual process of technical assessment and evaluation of the prospectivity of each individual licence held in the portfolio, while political and security risks are also assessed and factored in. Consequently, Sierra Leone has since early 2002 been the country in which the bulk of exploration activity has taken place. Funding has been divided between advancing the diamond properties in the Kono district and gold properties in the Sula Mountains.

In March 2004, the Company announced very encouraging high grade channel sampling results from the Yirisen greenstone gold project in Pampana, central Sierra Leone, (see Mano website: http://www.manoriver.com/mano/projects/gold_sl_pampana.shtml for location and details) which is the subject of a Letter of Agreement between Mano and Golden Star Resources Limited (GSR).

A total of 313 channel samples collected from hard rock artisanal workings in the southern section of Yirisen returned a number of high grade assays within a gold bearing quartz vein stockwork at least 800m long and locally up to 50m wide true thickness. Significant values from the channel samples included:

| Sample numbers | Channel length metres | Gold Grams/tonne |
|---|---|---|
| Y-0026 to 32 | 8 | 3.95 |
| Y-0045 to 49 | 5 | 4.77 |
| Y-0063 | 2 | 23.97 |
| Y-0066 to 71 | 6 | 1.82 |
| Y-0088 | 0.5 | 72.42 |
| Y-0117 to 118 | 2 | 10.97 |
| Y-0132 | 1 | 35.45 |
| Y-0159 to 160 | 2 | 7.04 |
| Y-0169 | 1 | 46.67 |
| Y-0170 | 1 | 10.66 |
| Y-0259 to 260 | 2 | 5.46 |

The results of the channel sampling confirm that gold mineralisation is hosted by a series of individually narrow, en echelon, steeply plunging vein structures. In some workings, the main vein(s) had been mined from surface to a depth of 10m or so.

All sample preparation, crushing and fire assaying procedures of 30 grams sub-samples pulverised to 95% at minus 100 microns (150#) was carried out at the OMAC laboratories in the Republic of Ireland. In addition to OMAC's internal Quality Assurance-Quality Control (QA-QC) programme of duplicates, blanks and certified standards, Mano has implemented its own QA-QC programme with repeat splits of approximately 1 in 30 channel samples taken on site and also 1 in 30 channels repeated a few centimetres above or below the original channel. Independent geological consultants A C A Howe International have analysed the duplicate channel sample data and report that the repeatability of samples and the variance of analytical results are well within acceptable limits.

Activity in Liberia during the period under review was primarily related to keeping the existing licences totaling 1,200km2 in good standing, and to maintaining the Mano office facility in the capital, Monrovia. With the security situation in the country steadily improving, it is currently anticipated that fieldwork will re-commence during the fourth quarter of 2004, after the rainy season.

There was no exploration activity in Guinea, expenditure being limited to maintaining the licences and Conakry office. Talks regarding possible joint ventures over Mano's gold licences at Missamana and Gueliban continue.

**Subsequent Events – Exploration**

In May 2004, the Company announced that it had signed a Mineral Cooperation Agreement ("MCA") with the Ministry of Lands Mines & Energy of Liberia. The three-year agreement permits the Company to undertake exploration in an area that covers 15,000km2 of western Liberia. Importantly, the MCA is contiguous with the Mano's Regional Exclusive Prospecting Licence ("REPL") in Sierra Leone, creating a contiguous land holding in excess of 25,000km2 underlain by the prospective Archaean Man Craton.

Also in May 2004, in a development of great significance for Sierra Leone as well as for Mano, the Company announced that it had signed a Memorandum of Agreement (MoA) with BHP Billiton to explore for diamonds and other minerals over its recently awarded REPL in Sierra Leone.

In that connection, Sierra Leone's Honourable Minister for Natural Resources, Mohamed Swarry Deen, declared, "The introduction of BHP-Billiton to Sierra Leone by Mano is exceptionally positive news for our country. Companies like Mano have proven crisis-proof and play a key role in attracting investment into Sierra Leone. We are grateful for their perseverance, which is now being rewarded by the introduction of such world-class companies as BHP Billiton and Golden Star Resources as their partners."

In an important new development for gold exploration in Sierra Leone, in June 2004, Mano and Golden Star Resources Ltd. ("Golden Star") announced encouraging assay results from the first five diamond drill holes on the Yirisen gold project. Significant intersections include **14m at an average grade of 7.77g/t and 9.07m at an average grade of 15.99g/t**. As yet, there is insufficient geological information to enable true widths to be calculated with confidence and, furthermore, all assays are uncut.

Significant assay results are summarised as follows:

| Hole | Easting (m) | Northing (m) | From (m) | To (m) | Total Length (m) | Gold Grade (g/t) |
|---|---|---|---|---|---|---|
| **YDD1** | 1997 | 2009 | 11.51 | 11.77 | **0.26** | **9.66** |
| | | | 22.61 | 23.50 | **0.89** | **6.23** |
| | | | 39.00 | 53.00 | **14.00** | **7.77** |
| *Incl.* | | | *45.00* | *53.00* | *8.00* | *13.00* |
| | | | 86.85 | 87.46 | **0.61** | **5.84** |
| | | | | | | |
| **YDD2** | 1997 | 2009 | 25.45 | 26.00 | **0.55** | **7.39** |
| | | | 53.78 | 62.85 | **9.07** | **15.99** |
| *Incl.* | | | *53.78* | *61.26* | *7.48* | *19.18* |
| *Incl.* | | | *53.78* | *56.10* | *2.32* | *41.34* |
| **YDD3** | 1975 | 1950 | No significant assays | | | |
| | | | | | | |
| **YDD4** | 1976 | 1948 | 15.56 | 20.00 | **4.44** | **3.59** |
| | | | | | | |
| **YDD5** | 2000 | 1900 | 23.19 | 32.00 | **8.81** | **0.99** |
| *incl* | | | *25.18* | *25.75* | *0.57* | *7.71* |

The diamond drilling campaign is supported by a USD1,000,000 12 month budget funded by Golden Star, (which will also cover work on the Sonfon and Nimini Licences). Mano is operator of the Joint Venture's exploration work.

Finally, in June 2004, Mano announced the discovery of diamonds and indicator minerals from within the Sonfon licence package in Sierra Leone, held in Joint Venture with Golden Prospect. An initial 250kg stream sample yielded five macro-diamonds weighing a total of 0.841 carats, with two diamonds being over 4mm in size. Stream samples were then processed for kimberlite indicator minerals, results suggesting that kimberlites may be present within the licences and, furthermore, any that kimberlites are likely to be diamond-bearing. Samples from follow-up stream and loam sampling over the two anomalous areas have been dispatched to South Africa for analysis. It is hoped that the results will isolate the source areas, over which ground geophysics can be focused in the dry season, to identify possible drill targets.

**Selected quarterly information**

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

| | April 30, 2004 | January 31, 2004 | October 31, 2003 | July31, 2003 |
|---|---|---|---|---|
| Total revenue (Interest income) | 20,381 | 3,752 | 3,473 | 2,206 |
| Net loss | 448,299 | 751,652 | 387,901 | 290,126 |
| Net loss per share | 0.002 | 0.005 | 0.002 | 0.001 |
| Total assets | 16,979,706 | 16,987,073 | 12,756,697 | 12,741,546 |

| | April 30, 2003 | January 31, 2003 | October 31, 2002 | July31, 2002 |
|---|---|---|---|---|
| Total revenue (Interest income) | 1,853 | 8,183 | 7,658 | 4,507 |
| Net loss | 74,993 | 513,823 | 275,761 | 225,230 |
| Net loss per share | 0.001 | 0.004 | 0.002 | 0.002 |
| Total assets | 12,390,528 | 12,253,662 | 11,941,379 | 11,859,312 |

**Results of operations**

The Company's net loss for the period ended April 30, 2004 was $448,299 or $0.002 per share as compared to a net loss of $74,993 for the corresponding quarter in 2003. This is a $393,306 increase in net loss compared to 2003. This increased in net loss was attributable to new accounting requirements that require companies to record non-cash stock-based compensation awards (stock options) as an expense. During the period, a total of 2,745,000 stock options were granted to employees, directors and consultants at an exercise price of Cdn.$0.24 per share exercisable until March 23, 2009, resulting in a stock based compensation expense of $444,891.

General and administrative expenses were $468,680 in the quarter ended April 30, 2004 compared to $76,846 in 2003, the increase being largely attributable to the aforementioned new accounting requirements that require companies to record non-cash stock-based compensation awards (stock options)as an expense. Some administrative expense categories also experienced higher costs: bank and interest charges $16,961 (2003 - $3,134) increased by $13,827 mainly due to interest payable on convertible debentures. Professional fees $59,621 (2003 - $31,218), including investor relations services, increased by $28,403 during the quarter as the Company focused its effort on expanding investor awareness of the Company's exploration projects. In general the Company was much more active in this first quarter of 2004 compared to quarter ended April 30, 2003. Transfer agent and filing fees $6,539 (2003 - $3,309) increased by $3,230 due to share activity including granting of stock options and increased filing fee rates. The Company also experienced a foreign exchange gain during the quarter due to a weak US dollar against the UK pound. As at year ended January 31,2004, the Company held approximately $3,872,865 cash in bank accounts denominated in UK pounds.

The Company has no revenue from mining operations. Revenue for the period, consisting of interest earned from cash deposits, was $20,381 as compared to $1,853 in 2003, an increase of $18,528. This increase in interest income was mainly due to increased cash balances as a result of funds raised by private placement and exercise of warrants during the year ended January 31,2004.

**Liquidity and capital resources**

At April 30, 2004, the Company had working capital of $3,306,658 as compared to a working capital of $3,498,652 at year end January 31st 2004. The Company had cash and cash equivalents of $3,325,719 (2003 - $129,101). The significant year-on-year increase in cash was primarily due to the issuance of common shares for equity financing and the exercise of warrants during the year ended January 31, 2004.

During the period ended April 30, 2004:

(1) the principal amount of a convertible debenture of $200,000 held by a director's company was converted into 2,786,200 common shares of the Company at a price of UKP0.04 ($0.07) per share. In addition, on conversion the 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

(2) 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.

(3) In addition, 130,000 options were exercised for proceeds of $33,650 and 2,410,000 options expired unexercised.

(3) 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 |
| 10,585,000 | | |

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 |

Cash used for operating activities during the first quarter of 2004 was $367,681 (2003 - $86,058) after adjusting for the non-cash activities of stock-based compensation and liability component of convertible debenture. Cash flows from financing activities for the first quarter of 2004 were $34,339 (2003 - $207,152). The amount of $33,650 was generated by exercise of stock options.

As at April 30, 2004, the Company had total assets of $16,979,706 as compared with $16,987,073 for the fiscal year ended January 31, 2004. At April 30, 2004, the Company had total liabilities of $467,867 as compared to $517,731 at year ended January 31, 2004. Current liabilities include $407,232 due to related parties for accrued management fees, bridging loans and reimbursable expenses.

During the period the Company expended $234,491 on deferred exploration expenditures on wholly owned properties as compared to $176,109 in 2003. The increased exploration expenditures were due to increased exploration activity with available funding.

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 receivable 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 received $195,013 from Golden Star Resources and $200,839 remained receivable as at April 30, 2004.

**Outstanding share data**

The Company is authorized to issue an unlimited number of common shares without par value. As at April 30, 2004 there were 213,405,813 common shares outstanding compared to 133,890,216 common shares outstanding at April 30, 2003. The increase was mainly due to the success of the Company in raising funds by equity financing, and the exercise of warrants and stock options.

During the quarter ended April 30, 2004,

(1) the principal amount of a convertible debenture of $200,000 was converted into 2,786,200 common shares of the Company at a price of GBP0.04 ($0.07) per share. In addition, on conversion, the 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

(2) 130,000 stock options were exercised for proceeds of $33,650 and 2,410,000 options expired unexercised.

(3) 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 a price of $0.24 per share exercisable until March 23, 2009.

**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 provision of services referred to above and provision of short-term bridge financing. See also above for details of a convertible debenture held by a director's company, which was converted during the period.

**Contractual commitments**

The only contractual commitment lasting longer than a year that the Company has entered into relates to the Mano Office in Didcot, England, where a nine-year lease with the possibility of terminating the contract after three years has been signed.

## Off-balance sheet arrangements

The Company has no off-balance sheet arrangements other than the lease related to its office premises as disclosed above.

## Critical accounting estimates

A detailed summary of all the Company's significant accounting policies is included in Note 2 to the Company's annual consolidated financial statements for the year ended January 31, 2004. Significant estimates used in the preparation of these consolidated financial statements include, amongst other things, depreciation, determination of net recoverable value of assets, determination of fair value on taxes, contingencies and share compensation.

## Changes in accounting principles

### Stock-based compensation

The Canadian Institute of Chartered Accountants ("CICA") amended the stock option compensation and other stock based payments accounting standard during 2003. The Company adopted the standard and the consolidated financial statements for the period ended April 30, 2004 reflect this change.

## Outlook

The Company is well funded to pursue its policy of adding shareholder value through further exploration and development of its Liberian gold properties, recommencing in the fourth quarter of 2004, while early results from the Golden Star-funded gold exploration programme in Sierra Leone have been most encouraging. It will be late 2004 before the first results can be reported on the major reconnaissance programmes now under way in Sierra Leone (the BHPBilliton joint venture) and Liberia (over the Mineral Cooperation Agreement licence), but given the prospectivity of the ground holding for both gold and diamonds, Mano remains very hopeful that significant discoveries will be made.

The main focus of Mano-funded (as distinct from joint-ventured) exploration is expected to be the further investigation later in 2004 of the KGL and Weaju gold projects in Liberia, together with the diamond reconnaissance over the Bea Licence and the Mineral Cooperation Agreement ground in western Liberia. Elsewhere in Liberia, joint venture partner Trans-Hex anticipate commencing their diamond farm-in programme at Weasua in the Kpo Licence with an airborne geophysical survey in the 4$^{th}$ quarter of 2004.

In the Kono area of Sierra Leone, the Company is actively seeking the participation of suitably experienced partners who could put one or more of the high-grade diamondiferous kimberlite dykes discovered by Mano into production.

On the political front, the arrival of Mano's joint venture partner, BHPBilliton, to fund exploration in Sierra Leone is a massive endorsement for the country (as well as for Mano). Meanwhile, in neighbouring Liberia, the UN are making steady progress in the comprehensive disarmament and retraining programme for former combatants and Mano is confident that conditions will allow exploration work to recommence in the Bea and Kpo licences after the rainy season, i.e. as early as October, 2004.