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# **MANO RIVER RESOURCES INC.**

Consolidated Interim Financial Statements  
For The Nine Months Ended October 31, 2004  
*(Stated in U.S. Dollars)*

*(Unaudited)*

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# **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 October 31, 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)

	Nine months ended October 31, 2004 \$ (unaudited)	Year ended January 31, 2004 \$ (audited)
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	2,309,180	3,893,552
Accounts receivable	54,887	122,831
Due from joint venture partners (Note 3)	179,610	-
	2,543,677	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>	9,960,195	8,640,584
<b>Reclamation bonds (Note 6)</b>	340,610	340,610
	16,833,978	16,987,073
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	78,040	111,188
Due to related parties (Note 9)	465,954	406,543
	543,994	517,731
<b>Provision for reclamation (Note 6)</b>	340,610	340,610
<b>Convertible debenture (Note 8)</b>	-	187,745
	884,604	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	(6,153,510)	(5,483,356)
	15,949,374	15,940,987
	16,833,978	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 October 31, 2004 \$ (unaudited)	Three months ended October 31, 2003 \$ (unaudited)	Nine months ended October 31, 2004 \$ (unaudited)	Nine months ended October 31, 2003 \$ (unaudited)
<b>Revenue</b>				
Interest income	10,364	1,267	46,729	3,473
<b>Expenses</b>				
Administrative and office expenses	1,834	1,326	5,194	3,995
Bank and interest charges	73	1,014	17,119	8,799
Directors fees	2,000	6,000	12,000	8,000
Foreign exchange loss (gain)	8,149	(1,190)	(150,860)	91
Investor communications	19,898	20,033	66,286	47,001
Management fees	22,500	24,000	67,500	59,500
Mine maintenance expenses	22,540	1,479	63,125	33,469
Nominated broker and adviser	17,255	6,129	42,411	26,187
Professional fees	24,779	19,623	104,751	75,294
Stock-based compensation	-	-	444,891	-
Transfer agent and regulatory fees	5,907	20,628	44,466	37,101
Travel and promotion	-	-	-	1,847
	124,935	99,042	716,883	301,284
<b>Loss before undernoted item</b>	(114,571)	(97,775)	(670,154)	(297,811)
<b>Write-off of resource property</b>	-	-	-	(90,090)
<b>Loss for the Period</b>	(114,571)	(97,775)	(670,154)	(387,901)
<b>Loss per share</b>	(0.001)	(0.001)	(0.003)	(0.002)

# MANO RIVER RESOURCES INC.

## Consolidated Statements of Deficit

*(Prepared by Management without audit)*

*(Stated in U.S. Dollars)*

	Nine months ended October 31, 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>	(670,154)	(751,652)
<b>Deficit, End of Period</b>	(6,153,510)	(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 October 31, 2004 \$ (unaudited)	Three months ended October 31, 2003 \$ (unaudited)	Nine months ended October 31, 2004 \$ (unaudited)	Nine months ended October 31, 2003 \$ (unaudited)
<b>Operating Activities</b>				
Loss for the period	(114,571)	(97,775)	(670,154)	(387,901)
Items not involving cash:				
Stock-based compensation	-	-	444,891	-
Write off of resource property acquisition costs	-	-	-	90,090
Accretion of liability comp.of convertible debenture	-	-	12,255	-
Changes in non-cash working capital accounts				
Due from joint venture partners	608,848	-	(179,610)	-
Accounts receivable	71,384	(23,998)	67,944	(30,753)
Accounts payable	(20,549)	(32,225)	(33,148)	(9,537)
	545,112	(56,223)	(357,822)	49,800
<b>Financing Activities</b>				
Issuance of share capital (net of costs)	-	-	33,650	728,989
Share subscriptions	-	73,544	-	73,544
Convertible debenture	-	-	-	78,250
Due to related parties	(46,244)	71,607	59,411	19,690
	(46,244)	145,151	93,061	900,473
<b>Investing Activities</b>				
Resource properties -				
Deferred exploration expenditures	(649,695)	(247,702)	(1,319,611)	(584,109)
	(649,695)	(247,702)	(1,319,611)	(584,109)
<b>Increase ( Decrease) In Cash</b>	(150,827)	(256,549)	(1,584,372)	(21,737)
<b>Cash, Beginning of Period</b>	2,460,007	418,928	3,893,552	184,116
<b>Cash, End of Period</b>	2,309,180	162,379	2,309,180	162,379

*Supplemental disclosure of non-cash financing and investing activities*

During the nine month period ended October 31, 2004, the Company issued 2,786,200 common shares on the conversion of a convertible debenture in the amount of \$200,000 due to a related party. In addition on conversion an equity component amount of \$96,000 was credited to share capital account.

During the nine month period ended October 31, 2003, the Company issued 2,819,397 common shares in settlement of \$116,547 due to related parties

# MANO RIVER RESOURCES INC.

## Consolidated Statements of Deferred Exploration Costs

(Prepared by Management without audit)

(Stated in U.S. Dollars)

	Three months ended October 31, 2004 \$ (unaudited)	Three months ended October 31, 2003 \$ (unaudited)	Nine months ended October 31, 2004 \$ (unaudited)	Nine months ended October 31, 2003 \$ (unaudited)
<b>Deferred exploration expenditures</b>				
Assays and geochem	25,640	4,305	69,496	26,546
Communications	10,895	8,388	51,063	25,253
Consultants	16,254	36,339	83,175	79,142
Data, images, reports and maps	2,207	2,084	9,082	6,243
Drilling	34,968	-	34,968	-
Geologists' support	21,411	-	34,998	1,345
Licenses and permit fees	130,331	34,896	236,385	92,242
Project/field office costs, other	95,240	26,762	184,687	64,152
Salaries and wages	96,061	96,631	284,300	196,513
Subsistence	10,689	8,426	38,268	37,817
Transportation incl. vehicles	205,999	29,871	293,189	54,856
<b>Net expenditures during the period</b>	<b>649,695</b>	<b>247,702</b>	<b>1,319,611</b>	<b>584,109</b>
<b>Balance, Beginning of period</b>	<b>9,310,500</b>	<b>7,983,618</b>	<b>8,640,584</b>	<b>7,647,211</b>
<b>Balance, End of period</b>	<b>9,960,195</b>	<b>8,231,320</b>	<b>9,960,195</b>	<b>8,231,320</b>

**MANO RIVER RESOURCES INC.**  
**Notes to the Financial Statements**  
**For The Nine Months Ended October 31, 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 nine month period ended October 31, 2004, the Company incurred exploration expenditures on behalf of joint venture partners who are required to fund the exploration expenditures to earn their interest in a group of gold properties in Sierra Leone. As at October 31, 2004, the amount of \$179,610 remained receivable from joint venture partners.

**4. INVESTMENTS**

	October 31, 2004	January 31, 2004
St. Andrew Goldfields Ltd.	\$ 34,496	\$ 34,496
	<u>34,496</u>	<u>34,496</u>

The St. Andrew Goldfields Ltd. Investment consists of 520,000 common shares with a quoted market value at October 31, 2004 of \$109,200 (January 31, 2004 -\$119,600)

**5. RESOURCE PROPERTIES**

	October 31, 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	<u>\$ 3,955,000</u>	<u>\$ 3,955,000</u>

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**6. RECLAMATION BONDS AND CONTINGENCY**

As at October 31, 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. (see Note 11)

**7. SHARE CAPITAL**

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

(b) *Issued*

	Shares	Amounts
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 October 31, 2004</b>	<b>213,405,813</b>	<b>21,461,793</b>

(c) the \$200,000 principal amount of a convertible debenture maturing April 30, 2004 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.

(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.

**MANO RIVER RESOURCES INC.**  
**Notes to the Financial Statements**  
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**7. SHARE CAPITAL (continued)**

(e) As at October 31, 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 October 31, 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**

In April 30, 2003, 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 \$200,000 principal amount of the convertible debenture 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 totaling \$23,500 was paid at the time of conversion.

**9. RELATED PARTY TRANSACTIONS**

During the year to date, the Company incurred billings of \$115,582 from related parties for management fees and professional services. All transactions with related parties have occurred in the normal course of operations. As at October 31, 2004, the amount due to related parties totals \$465,954. These balances have no fixed terms of repayment and have arisen from the accrued provision of services referred to above and reimbursable expenses.

**MANO RIVER RESOURCES INC.**  
**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 October 31, 2004, the Company held approximately \$246,256 cash in bank accounts denominated in U.K. currency. The Company has taken no action to reduce its exposure to foreign currency risk.

**11. SUBSEQUENT EVENT**

Subsequent to October 31, 2004, the Company:

- (a) sold to Advantage Real Estate for a total consideration of \$25,001 all of the issued and outstanding shares in the capital stock of its subsidiary, Equinox Resources (Wash.) Inc. (Equinox). The sole asset of Equinox is the Van Stone property near Colville in northern Washington State. During the year ended January 31, 2002, the Company wrote-off the acquisition costs and has set up a \$340,610 reclamation provision. (see Note 6) Advantage also acquired the rights to Reclamation Bonds totalling \$340,610 held by the Department of Natural Resources, Washington State.