

# **MANO RIVER RESOURCES INC.**

## **Management's discussion and analysis**

For the period ended October 31, 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 October 31, 2004 and related notes. Unless otherwise indicated all amount are in US dollars. The date of this management's discussion and analysis is December 14th, 2004.

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).

### **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, as a result of low prices for both precious and base metals. Lack of investor interest in the sector in general led to low market capitalizations and large companies found it was easier to grow by purchasing companies or mines outright, rather than to explore for them. This led to downsizing of the exploration staffs of large companies and many professionals took early retirement or left the industry to pursue other careers. As a result of these trends, there are currently few good gold projects in the pipeline and a developing shortage of experienced explorationists. With improving metal prices and burgeoning demand, especially from Asia, supply difficulties may occur in the near 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 tending to lead 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 fundamental nature of the mining business in which it is engaged, not least adverse movements in commodity prices, which are impossible to forecast. Mano 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

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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 now has teams in the field currently engaged in rehabilitating its camp buildings at its KGL project, together with the access road and bridges, in preparation for a resumption of drilling on the property scheduled for early January 2005.

### **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 the technological tools it employs are regularly 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 achieved, will not be less than anticipated.

### **Gold and metal 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 and other mineral products that the Company may explore for also have the same or similar price risk factors.

### **Cash flows and additional funding requirements**

Mano 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 on-going 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 is 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 Mano 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, while the Company has historically raised a large proportion of its equity financing in UK currency. Most of the Company's exploration expenses, meanwhile, are denominated in U.S. dollars. Fluctuations in exchange rates may give rise to foreign currency exposure,

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either favourable or unfavourable, which may impact financial results. Mano does not engage in currency hedging to offset the 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 requirements. 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 constant 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 substantially 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 30th, 2004, culminating in the acquisition of contiguous cross-border licences totalling 25,000 km<sup>2</sup> 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.

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**Corporate**

On October 25<sup>th</sup>, 2004, Mano's directors approved a Stock Purchase Agreement under which the Company agreed to sell 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), together with certain mine maintenance costs in the amount of approximately \$2,181,459 incurred by the Company on behalf of Equinox and owing to the Company. Closing of the transfer of Equinox shares and related assets to Advantage was completed on November 2<sup>nd</sup>, 2004. The sole asset of Equinox is the Van Stone Mine property near Colville in northern Washington State, which has been on care and maintenance for about ten years.

Advantage also acquired the rights to Reclamation Bonds totalling \$340,610 held by the Department of Natural Resources, Washington State. Over the next year or so, it is Advantage's intention to complete the Van Stone Mine reclamation scheme as per the plan already approved by the State's environmental authorities.

**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 the Company's exploration activity has taken place. Funding has been divided between advancing the diamond properties in the Kono district and exploring the gold properties in the Sula Mountains.

In August 2004, gold assay results from a further six diamond drill holes on the Yirisen gold project were announced, as follows:

Hole	Easting (m)	Northing (m)	From (m)	To (m)	Total Length (m)	Gold Grade (g/t)
<b>YDD6</b>	2000	1900	0.60	2.00	<b>1.40</b>	<b>7.33</b>
<b>YDD7</b>	1825	2060	19.00	27.00	<b>8.00</b>	<b>0.59</b>
<b>YDD8</b>	2002	2054	57.00	76.00	<b>19.00</b>	<b>4.07</b>
<b>and</b>			82.00	97.00	<b>15.00</b>	<b>1.71</b>
<b>YDD9</b>	1989	2101	69.00	73.00	<b>4.00</b>	<b>0.98</b>
<b>YDD10</b>	1954	2154	74.00	76.00	<b>2.00</b>	<b>1.07</b>
<b>YDD11</b>	1948	2200	79.00	81.00	<b>2.00</b>	<b>1.51</b>

The long intersections in drill hole YDD8 confirm the presence of a significant zone of mineralisation beneath the 60m long artisanal working locally called the 'UN Pit', first encountered in holes YDD1 and YDD2 with intersections grading 7.77g/t gold over 14m and 15.99g/t gold over 9.07m, respectively, (see August 4th news release at [http://www.manoriver.com/mano/investor/nr/nr0413\\_04Aug.pdf](http://www.manoriver.com/mano/investor/nr/nr0413_04Aug.pdf)). In drill hole

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YDD8, a series of individually narrow (i.e. ±1m) intersections grading 23.96g, 19.58g, 9.62g, 14.86g and 20.86g comprise high-grade veins within a wide, lower-grade 'envelope'.

In October 2004, Mano and Golden Star announced further encouraging assay results from the balance of the first phase diamond drill holes at **Yirisen**. The gold assay results for holes **YDD12 to YDD25** inclusive are summarised as follows:

Hole	Easting (m)	Northing (m)	From (m)	To (m)	Total Length (m)	Gold Grade (g/t)
<b>YDD12</b>	1869	2259	55.27	58.59	<b>3.32</b>	<b>1.78</b>
			99.61	104.00	<b>4.39</b>	<b>1.22</b>
<b>YDD13</b>	1869	2259	63.00	65.00	<b>2.00</b>	<b>12.91</b>
<b>YDD14</b>	1850	2350	33.00	36.00	<b>3.00</b>	<b>1.71</b>
			<i>Assays awaited from 36m to end of hole</i>			
<b>YDD15</b>	1859	2297	25.53	27.14	<b>1.61</b>	<b>10.55</b>
			32.00	33.00	<b>1.00</b>	<b>7.77</b>
			56.00	79.00	<b>23.00</b>	<b>1.55</b>
		<i>incl</i>	60.00	64.19	<b>4.19</b>	<b>6.11</b>
			76.09	77.49	<b>1.40</b>	<b>5.03</b>
<b>YDD16</b>	1860	2299	61.61	63.00	<b>1.39</b>	<b>1.03</b>
			80.95	85.00	<b>4.05</b>	<b>0.78</b>
<b>YDD17</b>	1974	1849	27.00	30.00	<b>3.00</b>	<b>1.48</b>
			53.00	75.00	<b>22.00</b>	<b>0.75</b>
<b>YDD18</b>	1975	1800	61.00	62.00	<b>1.00</b>	<b>6.87</b>
			74.00	76.00	<b>2.00</b>	<b>1.18</b>
<b>YDD19</b>	1971	1750	39.00	43.00	<b>4.00</b>	<b>1.41</b>
<b>YDD20</b>	1901	2840	<i>hole not sampled due to core loss</i>			
<b>YDD21</b>	1843	2839	<i>no significant assays</i>			
<b>YDD22</b>	1911	3005	34.00	43.00	<b>9.00</b>	<b>2.69</b>
		<i>incl</i>	40.00	42.00	<b>2.00</b>	<b>9.22</b>
<b>YDD23</b>	1932	3040	<i>no significant assays</i>			
<b>YDD24</b>	1909	3035	<i>no significant assays</i>			

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<b>YDD25</b>	2013	1643	<i>no significant assays from 0m to 39m; assays awaited from 39m to end of hole</i>
<b>YDD26</b>	1837	2708	<i>Assays awaited</i>

Summarising the drilling results to date, holes **YDD1** to **YDD19** inclusive all intersected gold mineralisation, demonstrating that the zone centred on the "UN Pit", (which was first encountered in holes YDD1 and YDD2 with intersections grading **7.77g/t over 14m** and **15.99g over 9.07m**, respectively, see release [http://www.manoriver.com/mano/investor/nr/nr0409\\_07june.pdf](http://www.manoriver.com/mano/investor/nr/nr0409_07june.pdf)) has a minimum strike length of 600m. A potential further zone is indicated by the intersection grading 2.69g/t over 9m in hole YDD22, located 1,000m north of the UN Pit. Assays from missing samples relating to the lower parts of holes YDD14 and YDD25, and hole YDD26, are still awaited.

In order to complete the pre-agreed Joint Venture work programme, the balance of the \$1 million 2004 Phase 1 budget will be devoted to Golden Star funding a comprehensive soil grid geochemistry survey over all the Joint Venture licences, at Pampana, Sonfon and Nimini, in order to assist in the planning of the next phase of drilling.

Core is being sawn on site, with samples air-freighted to TransWorld Laboratories in Tarkwa, Ghana, for preparation and fire assay. All sample preparation, crushing and fire assaying procedures of 30g sub-samples pulverised to 95% at minus 100 microns (150#) is carried out at the TransWorld laboratories in Ghana. In addition to Golden Star's 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 50 core samples. As yet, there is insufficient geological information to enable true widths to be calculated with confidence and, furthermore, no assays have been cut. 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.

Several companies now actively exploring in Sierra Leone have expressed an interest in joining Mano in providing financial support for the setting up of a sample preparation lab in Sierra Leone, the aim being to avoid the severe delays which have been experienced in getting core shipments to the lab in Ghana.

Mano's Qualified Person responsible for supervising the exploration programme is Greg Nowak, who holds an M.S. degree from the Mackay School of Mines, University of Nevada-Reno, USA, is a Fellow of the Society of Economic Geologists and a Member of the Geological Society of America.

In October 2004, Mano announced that it has signed a Letter of Agreement with Navasota Resources Ltd (NAV:TSX-V) (Navasota), for Navasota to acquire up to a 60% interest in Mano's Missamana and Gueliban gold properties in Guinea, West Africa. The two properties cover 498 square kilometres of highly prospective Proterozoic Birimian Terrain and are centred 30 km east of Kankan, a major regional centre in Guinea, and 700 km east of Conakry, the capital.

The Missamana prospect was the focus of mining activity for thousands of artisanal miners in the late 1980s, following the discovery of gold-bearing quartz veins close to surface. Recent exploration by Mano during 1996 and 1997 included soil geochemistry, trenching, airborne geophysics, and 4,000 metres of reverse-circulation drilling. Most of the trenching and drilling were completed on the Missamana Prospect, forming

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the basis for a small historical gold resource. Other prospective target areas include the Brouni and Kerkour zones on the Missamana permit and the Madou, Diamona, and Gueliban East zones on the Gueliban Permit. Target areas have been defined by the presence of artisanal workings, anomalous soil geochemistry, and airborne magnetic and radiometric highs.

Pursuant to a Letter of Agreement between Navasota and Mano, Navasota may earn an initial 51% interest in the properties by spending:

- \$125,000 over the first 12 months (which Mano will match) (Phase 1).
- \$1,375,000 over a 24 months period following the completion of Phase 1 (Phase 2).

Navasota may, at its option, acquire a further 9% by spending:

- a further \$500,000 over a 12 month period following the completion of Phase 2 (Phase 3).

Navasota shall be the operator of both Phase 1 and Phase 2 programs.

### **Subsequent Events – Exploration**

In December 2004, Mano and Crown Diamonds Ltd. (“Crown”) announced the conclusion of a Heads of Agreement to enter a Joint Venture for the production of diamonds from the underground mining of diamond-bearing kimberlite dykes (the “Lion” dykes) defined within Mano’s three contiguous licence areas that cover 260km<sup>2</sup> across the world-famous Kono diamond district (“Kono Licences”) of Sierra Leone.

Mano’s CEO, Dr Tom Elder commented: “Results to date indicate that a very significant diamond resource hosted by kimberlite dykes potentially exists within Mano’s Kono licences. Crown are the pre-eminent kimberlite dyke developers, with four existing dyke mining operations in the Republic of South Africa, and represent the perfect technical partner for Mano to ensure the rapid development and mining of the Lion kimberlites. The joint venture with Crown represents yet another significant development for Mano as the Company now looks forward to cash flow from hard rock kimberlite diamond mining.”

### **Basis of the deal**

Through an investment of \$3 million over 3 years, Crown will earn a 51% interest in Mano’s 100% owned subsidiary, The Kono Diamond Corporation Ltd, which will hold the three Kono licences. Thereafter, Mano has the option to co-fund to maintain its interest at the 49% level. The agreement between Mano and Crown envisages Crown as Operator moving directly into underground mine construction and production in 2005, based on:

- Crown’s technical expertise in the underground mining of kimberlite dykes
- Mapping to date by Mano which has defined at least ten kimberlite dykes of up to 6km in length each
- Significant grade of 94 carats per hundred tonnes (cpht) from mini bulk samples of ‘Lion-5’ dyke
- High carat value ( $\pm$  \$200) anticipated, based on current production results from Koidu pipe mine adjacent to Mano’s Kono Licences
- Extensive artisanal mining from the weathered portion of dykes
- High stability of the granite host rocks which should limit mining dilution
- Potential for extensions to the Lion dykes and for making new kimberlite pipe discoveries
- Strong support from the Sierra Leone Government Ministries for commercial production

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The Heads of Agreement is subject to the following conditions:

- completion of due diligence to be conducted by Crown on the Kono Licences held by the Company
- approval of Crown shareholders to proceed with the acquisition (if required)
- the entering into of a definitive agreement including a management agreement for the provision of mining services to the properties
- all required regulatory and governmental consents or approvals to enable the completion of the joint venture

Exploration results from Mano's Kono licences have previously been reported by Mano and are summarised as follows in Table 1:

Table 1 – Results of Mini-Bulk Samples

Dyke	Sample	Recovered Diamonds						Total Weight (carats)	Grade (cpht)
		+0.5mm	+1mm	+2mm	+3mm	+4mm	Total		
Lion-1	50017	1	11	4	5	1	22	1.1	65
Lion-1	50225		4		1		5	0.15	15
Lion-2	50223		10	3		1	14	0.46	46
Lion-2	50223		12	8	2		22	0.5568	27.8
Lion-2	50231	9	23	2	1		35	0.45	45
Lion-3	50227						0	0	0
Lion-5	50229	1	10	9	2		22	0.94	94

In some cases mini bulk samples were unavoidably mixed with surrounding country rock material, resulting in a reduction in the reported grade. Each sample was washed and jigged on site to recover diamonds in the +0.71 to -2.0mm and +2.0mm size fractions. All of the diamonds recovered from these samples were weighed and described by the Cape Town laboratory of Mineral Services Ltd.

**About Crown**

Crown ([www.crowndiamond.com.au](http://www.crowndiamond.com.au)) is a specialist underground diamond mining company that anticipates production of 170,000 carats in 2005 and 240,000 carats by 2008, from its existing high grade underground kimberlite dyke mining operations in the Republic of South Africa.

In Liberia, the repairs to the access road into KGL have been completed and rehabilitation of the camp is well under way. Two newly manufactured drills are being air freighted to Liberia and should arrive before month end.

At a meeting in London in December with Alex Stewart, the assay company, Mano, AXMIN and Cluff Gold each agreed to provide a \$10,000 loan towards the capital costs of setting up a sample preparation lab in Sierra Leone. Each company will receive advantageous rates for sample prep until such time as its loan is repaid.

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**Selected quarterly financial information**

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

	October 31, 2004	July 31, 2004	April 30, 2004	January 31, 2004
Total revenue (Interest income)	10,364	15,984	20,381	279
Net loss	114,571	107,284	448,299	363,751
Net loss per share	0.001	0.001	0.002	0.002
Total assets	16,833,978	17,015,342	16,979,706	16,987,073

  

	October 31, 2003	July 31, 2003	April 30, 2003	January 31, 2003
Total revenue (Interest income)	1,267	353	1,853	525
Net loss	97,775	215,133	74,993	238,062
Net loss per share	0.001	0.001	0.001	0.002
Total assets	12,756,697	12,741,546	12,390,528	12,253,662

**Results of operations**

The Company's net loss for the nine month period ended October 31, 2004 was \$670,154 or \$0.003 per share as compared to a net loss of \$387,901 for the corresponding quarter in 2003. This is a \$282,253 increase in net loss compared to 2003. This increased in net loss was primarily attributable to new accounting requirements that require companies to record non-cash stock-based compensation awards (stock options) as an expense. During the first quarter ending April 30, 2004, 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 \$716,883 in the nine month period ended October 31, 2004 compared to \$301,284 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 \$17,119 (2003 - \$8,799) increased by \$8,320 mainly due to interest payable on convertible debentures. Professional fees \$104,751 (2003 - \$75,294) increased by \$29,457 due to increased regulatory requirements and transaction activity. Investor communications \$66,286 (2003 -\$47,001) and Nominated broker and adviser fees increased by \$19,285 and \$16,224 respectively during the period as the Company focused its effort on expanding investor awareness of the Company's exploration projects and enhanced the Company's participation in industry conferences. In general the Company was much more active in this nine month period ended October 31, 2004 as compared to nine month period ended October 31, 2003. The Company also experienced a foreign exchange gain (\$150,860) during the nine month period ended October 31, 2004, due to a weak US dollar against the UK currency. As at beginning of the fiscal year the Company held approximately \$2,091,598 cash in bank accounts denominated in UK currency.

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The Company has no revenue from mining operations. Revenue for the period, consisting of interest earned from cash deposits, was \$36,365 as compared to \$2,206 in 2003, an increase of \$34,159. 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 October 31, 2004, the Company had working capital of \$1,999,683 as compared to a working capital of \$3,498,652 at year end January 31<sup>st</sup> 2004. The Company had cash and cash equivalents of \$2,309,180 (2003 - \$162,379). 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.

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
<b>10,585,000</b>		

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

Cash used for operating activities during the nine months ended October 31, 2004 was \$357,822 (2003 – (\$902,934) after adjusting for the non-cash activities of stock-based compensation and liability component of convertible debenture. Cash flows from financing activities for the nine months of 2004 were \$93,061 compared to \$139,305 during the nine months period ended October 31, 2003. The level of equity financing decreased during the nine months ended October 31, 2004 as compared to the same period in 2003.

As at October 31, 2004, the Company had total assets of \$16,833,978 as compared with \$16,987,073 for the fiscal year ended January 31, 2004. At October 31, 2004, the Company had total liabilities of \$543,994 as compared to \$517,731 at year ended January 31, 2004. Current liabilities include \$465,954 due to related parties for accrued management fees, reimbursable expenses and professional fees.

During the nine month period ended October 31, 2004, the Company expended \$1,319,611 on deferred exploration expenditures on wholly owned properties as compared to \$584,109 over the same period in 2003.

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The increased exploration expenditures were due to increased exploration activity as a result of available funding.

During the nine month period ended October 31, 2004, the Company incurred certain 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.

### **Outstanding share data**

The Company is authorized to issue an unlimited number of common shares without par value. As at October 31, 2004 there were 213,405,813 common shares outstanding compared to 155,209,613 common shares outstanding at October 31, 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.

### **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 are payable on demand and have arisen from the accrued provision of services referred to above and reimbursable expenses.

### **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 un-audited consolidated financial statements for the period ended October 31, 2004 reflect this change.

### **Outlook**

As a result of the \$4.4 million private placement concluded in December 2003, the Company is well funded to pursue its policy of adding shareholder value through further exploration and development of its Liberian gold properties, expected to recommence in the first quarter of 2005, while early results from the Golden Star-funded gold exploration programme in Sierra Leone have been most encouraging. It will be early 2005 before the first results can be reported on the major reconnaissance programmes now under way in eastern Sierra Leone (the BHPBilliton joint venture) and western 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) near term exploration is expected to be the further investigation in 2005 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. With the security situation in the country steadily improving, contractors have been engaged to commence the rehabilitation of Mano's campsite at the KGL project, having completed repairs to the access road and

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bridges, and a contract for 3,000 metres of diamond drilling signed with Drillsure of the UK, the company which carried out the first phase of drilling in 1999-2000.

The first quarter of 2005 will also see the start of the Crown-funded programme in the Kono-Yengema area of Sierra Leone, where the aim of the joint venture is to move rapidly into production on one or more of the high-grade diamondiferous kimberlite dykes discovered by Mano.

On the political front, the arrival of Mano's joint venture partner, BHPBilliton, to fund exploration in Sierra Leone was a massive endorsement for the country (as well as for Mano). Meanwhile, in neighbouring Liberia, the UN has completed the comprehensive disarmament process and the retraining programme for former combatants is well under way. Preparatory work by Mano will allow exploration drilling to recommence in the Bea licence very early in 2005.

On Behalf of the Board,  
MANO RIVER RESOURCES INC.

*"Tom Elder"*

TOM ELDER  
President