

# **MANO RIVER RESOURCES INC.**

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

**For the three month period ended July 31st, 2005**

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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 interim unaudited consolidated financial statements for the period ended July 31st, 2005 and related notes. Unless otherwise indicated all amounts are in US dollars. The date of this management's discussion and analysis is September 28th, 2005.

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, diamond and iron ore 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 and incremental expertise 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 grow organically. This led to downsizing of the exploration staffs of large companies and many professionals took early retirement, or else left the industry to pursue other careers. As a result of these trends, there are currently fewer and fewer good projects in the pipeline and a developing shortage of experienced explorationists. With recent much improved metal prices linked to burgeoning demand, especially from Asia, supply difficulties may occur in the near future and there is a discernible need for good exploration projects for almost all commodities, 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 (and latterly iron ore) 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 recent 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 drilling at the Bea Mountain gold projects, together with diamond reconnaissance at Weasua and the Mineral Cooperation Agreement (MCA) area in the west of Liberia. Field work on the Putu iron ore licence in the east of Liberia will get under way later this year, after the rainy season.

### **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 have its interest 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, 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 the Kpo licence in Liberia, where Mano made the first ever discoveries of diamondiferous kimberlite pipes in Liberia, in 2001. After an enforced break of several years, drilling is now well under way on the gold projects in the Bea licence in Liberia, namely, KGL and Weaju, with additional targets being defined.

### **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, in 2002 and 2003 Sierra Leone was the country in which the bulk of the Company's exploration activity took place, with funding divided between advancing the diamond properties in the Kono district and exploring the gold properties in the Sula Mountains. Subsequently, during 2004, almost all of the Sierra Leone programmes were joint ventured with carefully selected partners and a great deal of preparatory work for the resumption of exploration took place in Liberia, most notably in the securing of rights to the 15,000km<sup>2</sup> MCA licence. Elsewhere in Liberia, Trans Hex recently commenced the exploration programme over Mano's Kpo licence under the joint venture agreement originally signed in June 2002.

## **DIAMONDS**

### **SIERRA LEONE**

On July 14<sup>th</sup>, 2005, Mano reported progress on its Kono diamond joint venture (‘the ‘Joint Venture’) with Petra Diamonds Limited (formerly Crown Diamonds) (‘Petra’) relating to the exploration and planned production of diamonds from diamondiferous kimberlite dykes (the “Lion” dykes) within Mano’s three contiguous licence areas in the Kono diamond district of Sierra Leone.

Petra personnel visited the Kono site in April 2005 to plan for the establishment of the 75 tonnes per hour (‘tph’) production plant as well as to undertake further geological work on the dykes. Dykes were opened up to depths of 10 metres and samples taken. A 200kg sample of kimberlitic material taken from the Lion 5 dyke returned a gem quality 0.22 carat diamond. Petra’s site visit confirmed that the strike length of the Lion dykes exceeds the current total strike length of Petra’s South African kimberlite dyke operations

Petra has advised it believes the Kono project has the potential to yield high diamond grades of approximately 100 carats per hundred tonnes (‘cpht’), as indicated by the original Mano mini bulk sample of Lion 5 which returned an average grade of 94 cpht, and results from the 200kg sample referred to above.

#### **Site establishment**

The necessary equipment to establish initial facilities on site will be shipped from South Africa and is on track to be commissioned on site by Q4 2005. Petra’s site establishment team visited Sierra Leone in August and the site facilities should be fully established by November.

#### **Exploration/Production plans**

Petra is currently manufacturing the 75 tonnes per hour (‘tph’) production plant (Dense Media Separation and crushing circuit) at its facility in South Africa. Petra plans to ship the production plant in October and it should be commissioned on site in Q1 2006.

Several exploration shafts will be established. Whilst the primary purpose of these is for exploration of the dykes, diamonds will be produced on a test basis for quality and price evaluation. These shafts and facilities have been designed to facilitate a seamless transition to full-scale mining at a later stage. The production plant facility will be positioned centrally between the Lion dykes in order to reduce ore transportation costs from the exploration/mining sites.

#### **Financial**

Under the terms of the Joint Venture, by spending a total of US\$3 million over the next 3 years, Petra will acquire a 51% equity interest in the Kono Project. Petra has advised it plans to accelerate expenditure and development of the project in order to bring production on line and earn its 51% interest well within the 3-year time period. All costs expended to date are in line with expectations.

### **LIBERIA**

On May 25<sup>th</sup>, 2005, the Company announced that it had discovered a new kimberlite in its MCA licence in western Liberia, just four months after commencing exploration in the area. The MCA, covering 15,000km<sup>2</sup>, is a contributory joint venture between the Government of Liberia (30%) and Mano (70%) and incorporates the rights to explore for diamonds, gold and base metals.

Mano had earlier reported, in April (see: <http://www.manoriver.com/s/NewsReleases.asp>), high interest garnet recoveries from a number of MCA licence reconnaissance samples and on the basis of these results commenced follow-up investigations. Early results from a detailed loam-sampling block from Mano's laboratory in Monrovia identified one specific area of interest where abundant ilmenite and garnet had been recovered. Shallow pits dug over these sample sites intersected highly decomposed kimberlite at a depth of just over 1m. Considering the sampling results in the context of the local geomorphology, it is considered likely that more than one kimberlite is present in the immediate vicinity, and the loam sample coverage is being extended.

## **GUINEA**

In May 2005, Mano announced that it had been awarded three contiguous exclusive exploration licences, covering a total of 405km<sup>2</sup> in area, centred over the diamond producing town of Bouro in the Kerouane district of south eastern Guinea. The licences are linked to an agreement with De Beers, the previous licence holders, who have agreed to cede to Mano their exploration and modelling data over the licences in return for a nominal cash payment and a 2% gross royalty on future diamonds sales. Mano retains 100% marketing rights for diamonds produced.

A review of the De Beers exploration data shows that:

- The licences are host to four extensive diamond-bearing kimberlite dyke complexes.
- One dyke, designated Bouro North, has been mapped and drilled discontinuously over a strike length of 5km.
- Micro-diamond sampling by De Beers yielded excellent results, with 11 samples totalling 1,920kg being collected from along the strike length of the Bouro North kimberlite. These samples yielded 4,635 diamonds totalling 10.44 carats, including a large proportion of commercial sized diamonds in the +1.0mm and +2.0mm size fractions.
- Statistical modelling using the microdiamond data obtained from De Beers suggests that the Bouro North kimberlite could have an average +1.5mm macro-diamond grade between 100 and 230 carats per hundred tonnes.
- Many kimberlite indicator anomalies remain unresolved, a number of which have high interest mineral chemistry.

The Company considers the acquisition of these three licences to be important additions to its current excellent portfolio of diamond and gold properties in the Mano River Union region. Work on the ground will be undertaken as part of the 2005/06 dry season exploration programme.

## **GOLD**

### **LIBERIA**

On July 11<sup>th</sup>, 2005, Mano announced further encouraging assay results from the follow-up diamond drill holes on the **KGL gold project** in Liberia, West Africa. KGL is located in the wholly-owned Bea Mineral Development Agreement (MDA) license in the Bea Mountains greenstone belt, 130km north of Monrovia.

Summarising the results from the drilling:

Of the 30 new holes completed to date in 2005, 20 intersected significant mineralization (a further two were abandoned in bad ground, well short of the target horizon), the best intersection being 10.08 grams per tonne (g/t) gold over 10m in hole KGD49.

Five of the eight holes drilled to investigate possible extensions to the west of the Larjor zone were mineralized, with a best intersection of 1.13g/t gold over 21m in hole 46. As a result, the known overall strike

length extent of the KGL mineralization consequently increases from 1.8km established by the first drilling programme, carried out in 1999-2000, to 2.9km today. It is also important to note that, so far, this major zone of mineralization remains completely untested below a depth of 100m from surface.

In the Larjor zone, hole number KGD47 returning 3.3g/t gold over 32m is the second best hole drilled to date in that sector of KGL.

The zone of mineralization previously termed 'KGL Zone' has been re-named 'Kinjor Zone' and 'East Zone' has been re-named 'Marvoe Zone'. A series of six holes were drilled to investigate the previously untested 350m wide 'gap' between the Kinjor Zone and the Marvoe Zone, with considerable success. Intersections of:

- **10.1 g/t over 10m in hole KGD49**
- **7.0g/t over 14m in hole KGD52**
- **1.9g/t over 22m in hole KGD39**

indicate the potential for a significant body of mineralization effectively closing the so-called 'gap'.

At the eastern end of Marvoe Zone, a new and quite extensive area of artisanal gold workings ±100m long located east of hole KGD10 (2.9g/t over 82m) has appeared since drilling was suspended in 2001. Three holes (KGD32, 34 and 55) collared to test beneath this working were negative, possibly because these workings (which could not be mapped because they are flooded) are eluvial and not in hard rock. At the same time, these holes are not thought to have closed off the hole 10 mineralization, which is still considered to be open to the east. A complete listing of the drill results is appended, together with coordinates of the drill collars.

#### Table of Gold Assay Results

##### KGL Project drilling 2005

Hole	Easting (m)	Northing (m)	From (m)	To (m)	Total Length (m)	Gold Grade (g/t)
<b>KGD27</b>	11,697	9,656	21	25	<b>4.00</b>	<b>2.53</b>
		<i>and</i>	44	52	<b>8.00</b>	<b>3.86</b>
		<i>incl</i>	51	52	<b>1.00</b>	<b>12.74</b>
<b>KGD28</b>	11,516	9,680	72	87	<b>15.00</b>	<b>1.48</b>
		<i>Incl</i>	85	87	<b>2.00</b>	<b>6.33</b>
<b>KGD29</b>	11,446	9,680	48	52	<b>4.00</b>	<b>1.22</b>
<b>KGD30</b>	1,0952	9,712	53	55	<b>6.00</b>	<b>2.89</b>
		<b>and</b>	66	70	<b>4.00</b>	<b>2.11</b>
<b>KGD31</b>	11,254	9,732	<i>Unmineralised</i>			
<b>KGD32</b>	12,394	9,564	22	24	<b>2.00</b>	<b>0.76</b>

<b>KGD33</b>	10,900	9,708	59	70	<b>10.00</b>	<b>2.83</b>
		<i>incl</i>	60	63	<b>3.00</b>	<b>8.05</b>
		<i>and</i>	79	80	<b>1.00</b>	<b>2.28</b>
<b>KGD34</b>	12,426	9,586	<i>Unmineralised</i>			
<b>KGD35</b>	10,696	9,692	69	91	<b>4.00</b>	<b>2.34</b>
		<i>and</i>	84	91	<b>7.00</b>	<b>1.63</b>
<b>KGD36</b>	11,541	9,757	40	60	<b>15.00</b>	<b>0.96</b>
<b>KGD37</b>	12,172	9,519	20	40	<b>12.00</b>	<b>1.89</b>
		<i>and</i>	60	62	<b>2.00</b>	<b>2.90</b>
<b>KGD38</b>	11,520	9,768	<i>Abandoned in bad ground</i>			
<b>KGD39</b>	12100	9540	38	60	<b>22.00</b>	<b>1.88</b>
		<i>incl</i>	42	48	<b>6.00</b>	<b>4.39</b>
<b>KGD40</b>	11,130	9,716	<i>Unmineralised</i>			
<b>KGD41</b>	12,052	9,538	31	43	<b>12.00</b>	<b>0.20</b>
<b>KGD42</b>	12,005	9,528	<i>Unmineralised</i>			
<b>KGD43</b>	12,300	9,513	<i>Unmineralised</i>			
<b>KGD44</b>	10,538	9,723	<i>Abandoned in bad ground</i>			
<b>KGD45</b>	11,516	9,709	42	48	<b>6.00</b>	<b>1.48</b>
<b>KGD46</b>	10,450	9,700	79	100	<b>21.00</b>	<b>1.13</b>
<b>KGD47</b>	10,747	9,706	54	86	<b>32.00</b>	<b>3.29</b>
		<i>incl</i>	65	72	<b>7.00</b>	<b>7.66</b>
<b>KGD48</b>	9,621	9,720	<i>Unmineralised</i>			
<b>KGD49</b>	11,950	9,561	47	57	<b>10.00</b>	<b>10.08</b>
		<i>incl</i>	52	56	<b>4.00</b>	<b>24.05</b>
		<b>and</b>	85	86	<b>1.00</b>	<b>4.65</b>
<b>KGD50</b>	9,622	9,720	26	49	<b>23.00</b>	<b>0.42</b>
<b>KGD51</b>	10,500	9,724	28	53	<b>25.00</b>	<b>0.49</b>

<b>KGD52</b>	11,919	9,561	47	61	<b>14.00</b>	<b>6.97</b>
		incl	55	61	<b>6.00</b>	<b>10.57</b>
<b>KGD53</b>	10,388	9,684	<i>Unmineralised</i>			
<b>KGD54</b>	10,100	9,739	13	19	<b>6.00</b>	<b>0.85</b>
<b>KGD55</b>	12,450	9,590	<i>Unmineralised</i>			
<b>KGD56</b>	10,050	9,716	<i>Unmineralised</i>			
<b>KGD57</b>	10,150	9,745	12	19	<b>7.00</b>	<b>0.74</b>
<b>KGD58</b>	11,853	9,646	20	22	<b>2.00</b>	<b>0.81</b>
		<b>and</b>	47	51	<b>4.00</b>	<b>0.63</b>

## GUINEA

In June 2005, Mano announced that its Canadian joint venture partner, Navasota Resources Ltd. ('Navasota'), had commenced diamond drilling on the Missamana and Gueliban gold properties, in northeastern Guinea, West Africa. Navasota has an option to acquire up to a 60% interest in the Missamana and Gueliban licences from Mano.

Previous exploration at Missamana and Gueliban by Mano during 1996 and 1997 under the supervision of independent technical consultants ACA Howe International, 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, and forms the basis for a historical indicated resource estimated at 1,063,400 tonnes grading 1.77 grams per tonnes gold equating to 60,520 contained ounces. This resource calculation was completed prior to the adoption of NI 43-101, and therefore may not comply with NI 43-101 guidelines. Navasota's 2005 program will consist of 2500 metres of diamond drilling to confirm and expand upon Mano's previous drilling on the Missamana Prospect, and collect geological data to assist in resource modelling. Exploratory drilling is also planned for the Madou Prospect on the Gueliban Property.

The properties form a contiguous block covering 498 square kilometres of highly prospective Proterozoic Birimian Terrane, which hosts the majority of the large gold mines in West Africa. The property is centred 30 km east of Kankan, a major regional centre in Guinea and 700 km east of Conakry, the capital city of Guinea.

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

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

Navasota may, at its option, acquire a further 9% interest (for a total of 60%) by:

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

Navasota will be the Operator of the Phase 1 and Phase 2 programs.

## **IRON ORE**

### **LIBERIA**

On June 13<sup>th</sup>, 2005 the Company announced that its affiliate, Mano River Iron Ore (Liberia) Inc., had been awarded a three-year Mineral Exploration Agreement ('MEA') licence, covering a total of 425 square kilometres in area, centred over the Putu iron ore prospect in eastern Liberia. The Putu prospect is one of several iron ore deposits discovered in Liberia in the 1950s. Located in Grand Gedeh County, it lies 270 km southeast of Monrovia near the town of Zwedru. The iron ore exporting port of Buchanan is 200km away to the west and the port of Greenville 130km to the south-west. The Monrovia-Harper highway, one of the major highways in the country, passes very close to the prospect. The area is one of gentle relief, rising to 700m in the Putu Range itself.

With a presently mapped extent of at least 8km, initial exploration in the early 1950s concluded that the Putu prospect had a potential for up to 500 million tons of iron mineralisation. Extremely limited surface grab sampling yielded grades in the 35-40% Fe range, but later assays, from the 1960s, often sampled in the high 50% and even low to mid 60% range. Because of its relatively remote location (as perceived in 1950s and 60s), compared to Bomi Hills and Bong for example, no more recent investigation has been carried out. Mano has not had prior access to the property and has not conducted exploration work to verify these earlier exploration results.

In common with the other deposits in the region, the Archaean iron formations at Putu are of itabirite type and are associated with metavolcano-sedimentary formations, overlying and tightly infolded into the predominantly gneissic basement complex. Within these metavolcano-sedimentary formations, the itabirites form elongated steep-sided ridges which are often capped by lateritic ironstones.

Mano River Iron Ore (Liberia) Inc (MARIO) is 80% owned by Mano, and will be the Operator of exploration on the Licence. The remaining equity is held, subject to future dilution, 10% by Eastbound Resources Ltd, a company related to Guy Pas a director of Mano, in return for early stage risk capital provided for this new activity and 10% by Bert Cooper, a UK resident Liberian who is advising MARIO on strategy.

### **Subsequent Events – Exploration**

### **DIAMONDS**

#### **SIERRA LEONE**

On September 15<sup>th</sup>, 2005, Mano reported a progress update on its Sierra Leone diamond joint venture with BHP Billiton.

Reconnaissance sampling has been completed throughout the 9,700km<sup>2</sup> licence area and sample processing is well advanced in South Africa. Kimberlite indicator mineral anomalies have been generated in seven separate areas that potentially represent new kimberlite clusters in the east of Sierra Leone. Microprobe analysis of samples from two new anomalies has confirmed the presence of G10 garnets, supported by kimberlitic chromite and ilmenite. Follow-up detailed soil sampling and ground magnetic surveys have already been completed over one garnet-ilmenite-chromite anomaly and results are awaited. Fieldwork, however, has now been suspended for the height of the rainy season, and is expected to resume in late September.

BHP Billiton has confirmed that it wishes to participate in the Phase-2 programme, requiring sole funding of future exploration to \$2.6million. If successfully completed, BHP Billiton will acquire an initial 51% equity interest in the project, with Mano retaining the balance of 49%.

## **LIBERIA**

On September 1<sup>st</sup>, 2005, Mano announced that it had discovered a new kimberlite, designated **K007**, in its Kpo *Mineral Development Agreement* licence area (MDA) in western Liberia. The Kpo MDA, covering 200km<sup>2</sup>, is being explored in joint venture with Trans Hex Group ('THG'), where expenditure of \$2million over three years will earn THG a 50% equity interest in the MDA.

Kimberlite K007 was discovered during the course of a detailed ground gravity and magnetics survey and is located only 175 metres from pipe K002, discovered by Mano in 2001. It occupies a swamp area mined in the past by diamond artisans. No size estimate of the body has been made, but the fact that the observed kimberlite is diatreme facies suggests that it is likely to be a pipe. Previous exploration by Mano in 2000 and 2001 led to the discovery of six kimberlites in the Kpo MDA, three of which were confirmed as diamond bearing pipes of sizes up to 4-hectares. Exploration ceased in 2001 due to civil strife and work only resumed in April 2005, with ground geophysical surveys having recently been completed and the data now undergoing processing and interpretation. Based on these results, new kimberlite targets will be identified for follow-up and a drilling programme initiated to test the known diamondiferous pipes at depth.

Elsewhere in Liberia, Mano has recently completed its season's work in its Mineral Cooperation Agreement licence (MCA), a 70:30 contributory joint venture with the Ministry of Lands, Mines and Energy. Stream and loam sampling were conducted, with many strong kimberlite indicator anomalies generated. Detailed ground gravity and magnetics surveys were also completed over the area where the kimberlite **Alpha-1** (see news release: <http://www.manoriver.com/s/NewsReleases.asp>) was recently discovered. This kimberlite displays remarkable high-interest garnet mineral chemistry (see Plot 1 [http://www.manoriver.com/i/misc/2005-08-31\\_NRC.gif](http://www.manoriver.com/i/misc/2005-08-31_NRC.gif)) and trace element analyses indicate that 71% of the G10 garnets are derived from the diamond stability field. A sample of the kimberlite has therefore been collected and shipped to SGS Lakefield in Canada for microdiamond analysis. Exploration work in the new season, commencing in late September or early October, will include kimberlite delineation and sampling, follow-up of high interest indicator anomalies and regional reconnaissance sampling.

## **GOLD**

### **GUINEA**

On August 18<sup>th</sup>, 2005, the Company announced that its Canadian joint venture partner, Navasota Resources Ltd. ('Navasota'), had released initial results from diamond drilling on Mano's Missamana gold property, in north-eastern Guinea, West Africa. Navasota has an option to acquire up to a 60% interest in the Missamana and Gueliban licences from Mano (see news release of 8<sup>th</sup> June 2005, <http://www.manoriver.com/s/home.asp>)

Navasota reported that highlights of the 12-hole, 2469-metre drilling program include 1.73 grams per tonne (g/t) gold (Au) over 24.0 metres in hole MIS-003, 6.20 g/t Au over 8.0 metres in MIS-004, and 43.97 g/t Au over 4.0 metres in MIS-009. Highlights are presented in Table 1 below.

Nine diamond drill holes were completed on the Missamana Prospect, including four on the Contact Zone. MIS-004 was drilled 50 metres below MIS-003 on the same southwest directed section, and terminated in mineralization. MIS-005 and MIS-006 were drilled in a similar arrangement on a section 100 metres along strike to the southeast. MIS-005 was also halted in mineralization, as the Contact Zone is not easily identified visually. MIS-001 and MIS-002 tested the north-trending Zone 1 along an east-west fence and intersected several low-grade intervals. MIS-007 tested Zone 1 180 metres further north and MIS-008 tested the same zone 100 metres to the south. MIS-009 intersected the north-trending Zone 4, 150 metres to the east of Zone 1. The Missamana Prospect consists of several steeply dipping quartz vein and pyritic quartz stockwork structures, related to a northwest-trending shear contact between Birimian sedimentary rocks and porphyritic granodiorite.

Three diamond drill holes were also completed on the Madou Prospect, some 7 kilometres east of Missamana. At Madou, two broad quartz stockwork shear zones were tested with 3 diamond drill holes in the vicinity of several large artisanal pits dating back several decades. All 3 holes intersected significant mineralization with the best interval assaying 1.63 g/t Au over 2.0 metres. Given the scale of the artisanal workings and the excellent structural setting confirmed by drilling, Madou remains a high priority target. Work is also planned for the Brouni area, approximately 8 kilometres to the northwest.

**Table 1 Missamana DDH Highlights**

<i>Drillhole</i>	<b>Length m</b>	<b>Zone</b>		<b>From m</b>	<b>To m</b>	<b>Interval m</b>	<b>Au g/t</b>
<b>MIS-001</b>	212	Zone 1		64.0	67.0	3.0	1.31
<b>MIS-003</b>	200	Contact		137.0	161.0	24.0	1.73
			<i>incl</i>	137.0	143.0	6.0	5.36
<b>MIS-004</b>	251	Contact		20.5	25.0	4.5	2.10
				243.0	251.0	8.0	6.20
<b>MIS-005</b>	182	Contact		179.0	182.0	3.0	1.71
<b>MIS-006</b>	251	Contact		206.0	210.5	4.5	2.78
			<i>and</i>	218.0	224.0	6.0	1.18
<b>MIS-007</b>	167	Zone 1		20.5	49.0	28.5	0.48
<b>MIS-008</b>	203	Zone 1		60.5	67.0	6.5	1.19
			<i>and</i>	72.0	73.0	1.0	26.70
<b>MIS-009</b>	233	Zone 4		120.0	124.0	4.0	43.97
<b>MAD-002</b>	155	Madou		69.0	71.0	2.0	1.63
<b>MAD-003</b>	203	Madou		81.5	83.0	1.5	1.10
				131.0	132.0	1.0	2.83

Exploration at Missamana and Gueliban by Mano during 1996 and 1997 under the supervision of independent technical consultants ACA Howe International, included soil geochemistry, trenching, airborne geophysics, and 4,000 metres of reverse-circulation drilling. Navasota's 2005 program confirmed and expanded upon previous drilling on the Missamana Prospect, and collected geological data to assist in resource modelling. A follow-up drill program is planned for later this fall.

The two licences form a contiguous block covering 506 square kilometres of highly prospective Proterozoic Birimian Terrane, which hosts the majority of the large gold mines in West Africa. The property is centred 30 km east of Kankan, a major regional centre in Guinea and 700 km east of Conakry, the capital city of Guinea.

## **Corporate**

On July 18<sup>th</sup>, 2005, Mano's Board announced that it had approved a strategic plan to separate its gold and diamond assets into two separate public corporations.

Mano will continue to hold the gold and other non-diamond assets (primarily its iron ore interests) and a new company set up by Mano ("Newco") will hold the diamond assets. The reorganization would be accomplished

by way of a statutory plan of arrangement and would be subject to court, shareholder and regulatory approvals. Mano intends to seek approval for the reorganization from its shareholders at a Special Meeting. The reorganization is designed to improve the identification and valuation of Mano's two main divisions, and to enhance Mano's ability through simpler corporate ownership, to consider corporate transactions thus boosting shareholder value. It would equally enable Mano to separately finance and develop its gold and diamond assets, thereby reducing overall stock dilution.

Shareholders of Mano would receive the same percentage interest in Newco as they presently hold in Mano. It is intended that a listing of the shares of Newco would be sought on the AIM market of the London Stock Exchange.

On July 28<sup>th</sup>, 2005, Mano announced that it had appointed Bell Lawrie (a division of Brewin Dolphin Securities Limited) as its Nominated Adviser and Broker on AIM with immediate effect, replacing Seymour Pierce (Ellis) who are thanked for their support over the last several years.

Bell Lawrie has considerable experience in the mineral resources sector and will assist the Company in expanding its shareholder base and in implementing its strategic plan (announced on 18 July 2005) to separate its gold and diamond assets into two separate public companies.

### Selected quarterly information

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

	July 31 2005	April 30 2005	January 31 2005	October 31 2004
Total revenue (Interest income)	34,432	778	3,911	10,364
Net loss	640,132	83,995	219,210	114,571
Net loss per share	0.003	0.000	0.001	0.001
Total assets	22,878,781	23,259,126	16,440,201	16,833,978

	July 31 2004	April 30 2004	January 31 2004	October 31 2003
Total revenue (Interest income)	15,984	20,381	279	1,267
Net loss	107,284	448,299	363,751	97,775
Net loss per share	0.001	0.002	0.002	0.001
Total assets	17,015,342	16,979,706	16,987,073	12,756,697

### Results of operations

The Company's net loss for the six-month period ended July 31, 2005 was \$724,127 as compared to a net loss of \$555,583 for the corresponding quarter in 2004. This is a \$168,544 increase in net loss compared to 2004. This increase in net loss is primarily due to an increase in some administrative expenses as discussed below.

General and administrative expenses were \$759,337 in the six month period ended July 31, 2005 compared to \$591,948 in 2004. This increase is largely attributable to the foreign exchange loss and other administrative expenses also experienced higher costs: directors fees \$26,200 (2004 - \$10,000) increased by \$16,200 mainly due to fees payable to directors for their positions on various committees. Professional fees \$188,523 (2004 - \$151,516) increased by \$37,007 due to increased activity. Transfer agent filing fees \$47,174 (2004 - \$38,559) increased by \$8,615 due to greater share activity, including granting of stock options and increased filing fee rates. Stock-based compensation \$335,445 (2004 - \$444,891) decreased by \$109,446. During the six month period ended July 31, 2005, a total of 2,620,000 stock options were granted to employees, directors and consultants at an exercise price of Cdn.\$0.215 per share exercisable until July 25, 2010, resulting in a stock based compensation expense of \$335,445 in 2005 as compared to 2,770,000 stock option granted at an exercise price of Cdn.\$0.24 resulting in a stock based compensation expense of \$444,891 in 2004.

In general the Company was much more active in this six month period ended July 31, 2005 as compared to six month period ended July 31, 2004. The Company also experienced a foreign exchange loss during the six month period ended July 31, 2005, due to a stronger US dollar against the UK currency.

The Company has no revenue from mining operations. Revenue for the period, consisting of interest earned from cash deposits, was \$35,210 as compared to \$36,365 in 2004, a decrease of \$1,155. This decrease in interest income was mainly due to decrease in average cash balances during the period ending July 31, 2005. The Company closed its private placement of GBP 4,000,000 (\$7,480,000) during the latter part of April, 2005.

#### Liquidity and capital resources

At July 31, 2005, the Company had working capital of \$5,615,323 (2004 - \$2,763,949) and cash equivalents of \$5,481,238 (2004 - \$2,460,007). The significant increase in cash was primarily due to the issuance of common shares for equity financing during the six month period ended July 31, 2005.

As at July 31, 2005, no share purchase warrants and the following stock options were outstanding:

Number of Common Shares		Exercise price per share (Cdn\$)		Expiry Date
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
2,770,000	\$	0.24		March 23 2009
2,2620,000	\$	0.215		July 25, 2010
<b>13,130,000</b>	<b>\$</b>	<b>TOTAL</b>		

Cash used for operating activities during the first six months of 2005 was \$503,560 (2004 – \$902,934) after adjusting for the non-cash activities of stock-based compensation. Cash flows from financing activities for the six months of 2005 were \$6,827,636 compared to \$139,305 during the same six months of 2004. Equity financing increased significantly during the 2005 period as compared to 2004.

As at July 31, 2005, the Company had total assets of \$22,878,781 as compared with \$16,440,201 for the fiscal year ended January 31, 2005 primarily due to completion of the equity financing. At July 31, 2005, the Company had total liabilities of \$215,179 as compared to \$568,717 at year ended January 31, 2005. Current liabilities include \$200,270 due to related parties for accrued directors fees, reimbursable expenses and professional fees.

During the six month period ended July 31, 2005, the Company expended \$2,218,477 on deferred exploration expenditures on wholly owned mineral properties as compared to \$669,916 in the same period in 2004. The increased exploration expenditures were due to increased exploration activity with available funding.

During the six month period ended July 31, 2005, the Company incurred exploration expenditures on behalf of certain joint venture partners who are required to fund the exploration expenditures to earn their interest in a group of gold and diamond properties in Sierra Leone and Liberia. As at July 31, 2005, the amount of \$269,925 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 July 31, 2005 there were 253,418,313 common shares outstanding as compared to 213,405,813 common shares outstanding at April 30, 2004. 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 six month period ended July 31, 2005, the Company incurred billings of \$116,347 from related parties for management fees and professional services. All transactions with related parties have occurred in the normal course of operations. As at July 31, 2005, the amount due to related parties totals \$200,270. These balances are payable on demand and have arisen from the accrued provision of services referred to above and reimbursable expenses.

### **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 unaudited consolidated financial statements for the period ended July 31, 2005 reflect this change

### **Outlook**

As a result of the GBP4,000,000 (\$7.48 million) private placement concluded on April 18th 2005, the Company is well funded to pursue its policy of adding shareholder value, firstly, through further exploration and development of its Liberian gold properties and the Mineral Cooperation Agreement (MCA) licence in western Liberia and, secondly, through joint ventures with carefully selected partners.

The main focus of Mano-funded (as distinct from joint-ventured) near term exploration will be further investigation of the promising KGL and Weaju gold projects in Liberia, together with the diamond reconnaissance over the Bea Licence and the 15,000km<sup>2</sup> MCA licence (where the announcement was made on May 25<sup>th</sup> of the discovery of the first kimberlite body, barely four months after the start of the programme). With the security situation in the country steadily improving, Mano’s campsite at the KGL project was rehabilitated and a new camp constructed at Weaju. Encouraging results were obtained from the total of 28 diamond drill holes completed so far this year at KGL. The drill rigs were relocated to the Weaju project, where assay results are expected shortly from the holes completed prior the rainy season shutdown during August.

A total of five joint ventured programmes are now under way, with early results from the **Golden Star**-funded gold exploration programme in Sierra Leone considered encouraging. The first results have already been reported on the major reconnaissance programme over the REPL license in eastern Sierra Leone in the **BHP-Billiton** joint venture and the follow-up programme has commenced on several high interest indicator mineral anomalies. Also in Sierra Leone, **Petra Diamonds** have carried out detailed site investigations at

Kono and are preparing to ship a full plant from South Africa for the start of underground test production from the Lion 1 and Lion 5 dykes. They anticipate achieving initial diamond production from test mining by year-end. In Guinea, **Navasota** have completed refurbishment of the Missamana/Gueliban field base and reported encouraging results from the initial 2,500 metre programme of drilling, while at Weasua in Liberia, a team of geophysical consultants has nearly completed ground geophysical surveys over Mano's cluster of kimberlite pipes in the **Trans Hex**-funded programme.

During the current rainy season, data is being assembled on Liberia's iron ore deposits in preparation for the start of investigation of the 425km<sup>2</sup> Putu iron ore licence in eastern Liberia.

On the political front, the arrival of Mano's joint venture partner, BHP-Billiton, 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, the retraining programme for former combatants has been judged a success and UN-sponsored Presidential elections are to be held in October 2005.

On Behalf of the Board,  
MANO RIVER RESOURCES INC.

*"Tom Elder"*

TOM ELDER  
President