



afferro mining

AFFERRO MINING INC.

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

AND

INFORMATION CIRCULAR

AFFERRO MINING INC.

Notice of Special Meeting of Shareholders January 31, 2012

NOTICE IS HEREBY GIVEN that the special meeting of the holders of common shares of AFFERRO MINING INC. (the "Company") will be held at the Company's offices at 20 Southampton Street, London, WC2E 7QH, United Kingdom, on January 31, 2012 at 11:00 a.m. (London time) for the following purposes:

- (a) to pass a resolution approving the divestment of all of the Company's rights, title and interest in Severstal Liberia Iron Ore Ltd. to a subsidiary of ZAO Severstal Resources as more particularly described under the heading "Particulars of Matters to be Acted Upon – Proposed Sale of Interest in Putu Project" in the accompanying Information Circular; and
- (b) to transact such other business as may properly be transacted at such meeting or at any adjournment thereof.

Accompanying this Notice are the Information Circular, Form of Proxy and Form of Instruction (if applicable). All shareholders of the Company are invited to attend the meeting. *Registered shareholders* who are unable to attend the meeting in person are requested to complete, date and sign the enclosed Form of Proxy and send it in the enclosed envelope or otherwise to Computershare Investor Services Inc. 9th Floor, 100 University Avenue, Toronto, Ontario, Canada M5J 2Y1, fax number 1-866-249-7775 (Toll free North America – International 416-263-9524). *Non-registered shareholders* who receive these materials through their broker or other intermediary should complete and send the form of proxy in accordance with the instructions provided by their broker or intermediary. To be effective, a proxy must be received by Computershare Investor Services Inc. not later than January 27, 2012 at 11:00 a.m. (Eastern time), or in the case of any adjournment of the meeting, not less than 48 hours, Saturdays, Sundays and holidays excepted, prior to the time of the adjournment, or delivered to the Chairman of the meeting prior to the commencement of the meeting.

DATED the 9th day of January, 2012.

By Order of the Board of Directors

"Luis da Silva" (signed)

Luis da Silva,
President and Chief Executive Officer

AFFERRO MINING INC.

Information Circular for the Special Meeting of Shareholders January 31, 2012

PROXIES

Solicitation of Proxies

This Information Circular (the “Circular”) is furnished in connection with the solicitation, by or on behalf of the directors of Afferro Mining Inc. (“Afferro” or the “Company”), of proxies to be used at the Company’s special meeting of the holders of common shares (the “Common Shares”) to be held on January 31, 2012 (the “Meeting”) or at any adjournment thereof. It is expected that the solicitation will be primarily by mail, but proxies may also be solicited personally, by advertisement or by telephone, by directors, officers or employees of the Company without special compensation, or by the Company’s transfer agent, Computershare Investor Services Inc., at nominal cost. The cost of solicitation will be borne by the Company.

Appointment of Proxyholder

The person(s) designated by management of the Company in the enclosed form of proxy (the “Form of Proxy”) are the **President and Chief Executive Officer and the Chief Financial Officer of the Company**. Each shareholder has the right to appoint as proxyholder a person or company (who need not be a shareholder of the Company) other than the person(s) or company(ies) designated by management of the Company in the enclosed Form of Proxy to attend and act on the shareholder’s behalf at the Meeting or at any adjournment thereof. Such right may be exercised by inserting the name of the person or company in the blank space provided in the enclosed Form of Proxy or by completing another Form of Proxy.

In the case of *registered shareholders*, the completed, dated and signed Form of Proxy should be sent in the enclosed envelope or otherwise to Computershare Investor Services Inc. 9th Floor, 100 University Avenue, Toronto, Ontario, Canada M5J 2Y1, fax number 1-866-249-7775 (Toll free North America – International 416-263-9524). In the case of *non-registered shareholders* who receive these materials through their broker or other intermediary, the shareholder should complete and send the form of proxy in accordance with the instructions provided by their broker or other intermediary. To be effective, a proxy must be received by Computershare Investor Services Inc. not later than January 27, 2012 at 4:00 p.m. (London time), or in the case of any adjournment of the Meeting, not less than 48 hours, Saturdays, Sundays and holidays excepted, prior to the time of the adjournment, or delivered to the Chair of the Meeting prior to the commencement of the Meeting.

Revocation of Proxy

A shareholder who has given a proxy may revoke it by depositing an instrument in writing signed by the shareholder or by the shareholder’s attorney, who is authorised in writing, or by transmitting, by telephonic or electronic means, a revocation signed by electronic signature by the shareholder or by the shareholder’s attorney, who is authorised in writing, to or at the registered office of the Company at any time up to and including the last business day preceding the day of the Meeting, or in the case of any adjournment of the Meeting, the last business day preceding the day of the adjournment, or with the Chair of the Meeting on the day of, and prior to the start of, the Meeting or any adjournment thereof. A shareholder may also revoke a proxy in any other manner permitted by law.

Voting of Proxies

On any ballot that may be called for, the Common Shares represented by a properly executed proxy given in favour of the person(s) designated by management of the Company in the enclosed Form of Proxy will be voted or withheld from voting in accordance with the instructions given on the Form of Proxy, and if the shareholder specifies a choice with respect to any matter to be acted upon, the Common Shares will be voted accordingly. **In the absence of any such specification as to voting on the Form of Proxy, the securities represented by the proxy will be voted in favour of the matters set out therein.**

The enclosed Form of Proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the accompanying Notice of Meeting and with respect to other matters which may properly come before the Meeting or any adjournment thereof. As of the date of this Circular, management of the Company are not aware of any such amendment, variation or other matter to come before the Meeting. However, if any amendments or variations to matters identified in the accompanying Notice of Meeting or any other matters which are not now known to management should properly come before the Meeting or any adjournment thereof, the Common Shares represented by properly executed proxies given in favour of the person(s) designated by management of the Company in the enclosed Form of Proxy will be voted on such matters pursuant to such discretionary authority.

Advice to non-registered or Beneficial Shareholders

The information set forth in this section is of significant importance as many shareholders do not hold Common Shares in their own name.

In accordance with National Instrument 54-101 – *Proxy Solicitation*, the Company has distributed copies of the Notice of Meeting, this Circular and the Form of Proxy to registered shareholders and to the clearing agencies and intermediaries for onward distribution to non-registered shareholders. Shareholders holding their Common Shares through their brokers, intermediaries, trustees or other parties, or otherwise not holding their Common Shares in their own name (referred to in this Circular as “Beneficial Shareholders”) should note that only proxies deposited by the registered shareholders of those shares named in the records maintained by the Company’s transfer agent will be recognised and acted upon at the Meeting. If Common Shares are listed in an account statement provided to a Beneficial Shareholder by a broker, those Common Shares, in all likelihood, will not be registered in the Beneficial Shareholder’s name. Such Common Shares will more likely be registered under the name of the Beneficial Shareholder’s broker or an agent of that broker. In Canada, the vast majority of such shares are registered under the name of CDS & Co., the registration name for CDS Clearing & Depository Services Inc., which acts as nominee for many Canadian (and, indirectly through other depositaries or other intermediaries, U.S. and other foreign) brokerage firms. Common Shares held by brokers (or their agents or nominees) on behalf of a broker’s client can only be voted (for or against resolutions) at the direction of the Beneficial Shareholder. Without specific instructions, brokers and their agents and nominees are prohibited from voting shares for the broker’s clients. **Therefore, each Beneficial Shareholder should ensure that voting instructions are communicated to the appropriate party well in advance of the Meeting.**

Applicable regulatory policies require brokers and other intermediaries to seek voting instructions from Beneficial Shareholders in advance of shareholders’ meetings. Every broker/intermediary has its own mailing procedures and provides its own voting and return instructions to clients, which should be carefully followed by Beneficial Shareholders in order to ensure that their Common Shares are voted at the Meeting. The form requesting such voting instructions (a “VIF”) supplied to the Beneficial Shareholder by its broker/intermediary should be substantially similar to the Form of Proxy provided directly to the registered shareholders by the Company. The purpose of the Form of Proxy or VIF provided to a Beneficial Shareholder by its broker, agent or nominee is limited to instructing the

registered holder of the shares on how to vote such shares on behalf of the Beneficial Shareholder. **Beneficial Shareholders should carefully review the voting and return instructions provided by their broker/intermediary, agent or nominee to ensure they are directing the voting of their shares in accordance with those instructions and that they are communicating such directions to the appropriate person.**

Most brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. (“Broadridge”) in Canada. Broadridge typically prepares a machine-readable VIF, mails the VIFs to Beneficial Shareholders with a request to return the VIFs to Broadridge or follow specific telephone or other voting procedures. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of shares to be represented at the Meeting. **A Beneficial Shareholder cannot use a VIF to attend and vote Common Shares directly at the Meeting. Instead, the VIF must be completed and returned to Broadridge or the alternate voting procedures must be completed well in advance of the Meeting to ensure such Common Shares are voted. If you have any questions respecting the voting of Common Shares held through a broker or other intermediary, please contact that broker or other intermediary for assistance.**

All references to shareholders in this Circular and the accompanying Form of Proxy are to shareholders of record unless specifically stated otherwise.

Holders of depositary interests of the Company (the “Depositary Interests”) shall be invited to attend the Meeting by Computershare Company Nominees Limited in its capacity as custodian for the Depositary Interests and on behalf of the Company. If you are a holder of Depositary Interests, please fill in the form of instruction (the “Form of Instruction”) and return such form to the depositary: Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY, United Kingdom not less than 72 hours (excluding weekends and holidays) before the time for holding the Meeting or any adjournment thereof. The completion and return of the Form of Instruction will not preclude you from attending the Meeting and voting in person if you so wish. Should you wish to attend the Meeting and/or vote at the Meeting, you must notify Computershare Investor Services PLC in writing at the address above or email !UKALLDITeam2@computershare.co.uk. In all cases, Beneficial Shareholders should carefully follow the instructions of their intermediary, including those regarding when, where and by what means the VIF or Form of Proxy must be delivered.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

Voting Shares

The Company is authorised to issue an unlimited number of Common Shares without par value. As at December 28, 2011 (the “Record Date”), the Company had 104,003,387 Common Shares issued and outstanding, each carrying the right to one vote per share. There are no other shares issued or outstanding of any class. The Common Shares are the only securities entitled to be voted at the Meeting. A simple majority of the votes cast at the Meeting, whether in person, by proxy or otherwise, will constitute approval of any matter submitted to vote.

Record Date

The board of directors of the Company (the “Board of Directors”) has fixed December 28, 2011 as the record date for the purpose of determining holders of Common Shares entitled to receive notice of and to vote at the Meeting. Any holder of Common Shares of record at the close of business on the record date is entitled to vote the Common Shares registered in such holder’s name at that date on the matter to be acted upon at the Meeting.

Principal Shareholders

To the knowledge of the directors and executive officers of the Company, no person or company beneficially owned, directly or indirectly, or exercised control or direction over 10% or more of the voting rights attached to the outstanding Common Shares of the Company.

PROPOSED SALE OF INTEREST IN PUTU PROJECT

Background to the Sale Transaction

On December 12, 2011, the Company announced that the Company and its wholly-owned subsidiary, Mano River Iron Ore Holdings Limited (“Mano”), had entered into a legally binding heads of terms agreement (the “Heads of Terms”) with Lybica Holdings B.V. (“Lybica”), an affiliate of ZAO Severstal Resources (“Severstal”), for the sale to Lybica (the “Transaction”) of the Company’s 38.5% interest in the Putu iron ore project in Liberia (the “Putu Project” or “Putu”) for an initial payment of US\$65 million in cash plus a minimum deferred payment of US\$50 million in cash (with additional consideration should the Putu Project be sold to a third party or through other realisation of commercial value or in certain other circumstances) (collectively, the “Purchase Price”). In addition, the Company would be relieved from all funding obligations in relation to the Putu Project after December 31, 2011. On December 23, 2011, pursuant to the Heads of Terms, the parties entered into a sale and purchase agreement (the “Sale and Purchase Agreement”). The Transaction is subject to shareholder and regulatory approvals and other customary conditions precedent. A copy of the Sale and Purchase Agreement is attached as Schedule “B” to this Circular.

The Putu Project

In May 2008, the Company entered into certain financial and development agreements with Lybica (the “Putu Joint Development and Financing Agreements”), which provide that Lybica would earn-in a 61.5% interest in Severstal Liberia Iron Ore Ltd. (“SLIO”) (the indirect holder of the Putu Project mineral development agreement (the “Putu MDA”) through its wholly owned subsidiary Putu Iron Ore Mining Inc. (“PIOM”)) in exchange for a commitment by Severstal to spend US\$30 million on the advancement of the Putu Project, which has now been fulfilled, and payment to the Company of US\$12.5 million, which has now been paid. As at the date hereof, the Company and Severstal hold 38.5% and 61.5% interests, respectively, in SLIO. The board of directors of SLIO (in respect of which the Company nominates two of the five members) is responsible for reviewing and approving the exploration plans and budgets developed by PIOM, as operator, for the Putu Project. Severstal and the Company are currently funding the on-going development of the Putu Project in proportion to their respective ownership interests in SLIO.

The Putu MDA was granted to PIOM by the Government of Liberia on September 2, 2010, and was subsequently ratified by the Legislature of Liberia on September 9, 2010. The Putu MDA provides for the development and construction of the Putu Project for a period of twenty-five years (extendable, subject to certain conditions, in line with the life of mine) and includes a two year extension for exploration until September 30, 2012, the latest date for delivery of the pre-feasibility study (“PFS”).

As at November 30, 2011, the Company had accounted for a carrying value for the Putu Project of approximately US\$22.2 million.

Rationale of Sale

In early September 2011 Severstal approached the Company with the intention of acquiring the Company’s 38.5% interest in the Putu Project. The Board of Directors discussed Severstal’s proposal,

taking into consideration the potential upside from its Nkout iron ore project in Cameroon (the “Nkout Project” or “Nkout”) and the increasing capital commitments where feasibility study costs alone are estimated to cost the joint venture US\$126 million in 2012/13 for the Putu Project. The Board of Directors concluded that this is an appropriate time to divest the Company’s remaining 38.5% non-controlling interest in the project. The 100% owned Nkout Project in Cameroon is the Company’s flagship project and like the Putu Project, has the potential to create significant value for the Company. The Company has made rapid progress in expanding Nkout’s mineral resource in 2011, with an estimated 944Mt at 32.7% Fe in the indicated category and 1.05Bt at 31.6% Fe in the inferred category. The mineral resource at Nkout has been delivered in only eighteen months, at a cost of under US\$20 million, reflecting the Company’s cost effective approach to exploration.

The proceeds from divesting the interest in Putu ensure that the Company will be able to accelerate its development strategy in Cameroon, including completion of a preliminary economic assessment (“PEA”) by March 2012 and a PFS by the end of 2012 for the Nkout Project. The Company has been in discussions with potential strategic partners over the last six months, who would be prepared to fund the Nkout Project’s infrastructure requirements and also provide a long-term off take agreement. The cash resources from the divestment of the interest in the Putu Project will augment the Company’s balance sheet and strengthen its negotiating position.

Details of the Transaction

Under the Sale and Purchase Agreement, an initial cash payment of US\$65 million will be payable on completion by no later than February 28, 2012. The Company is also entitled to receive a deferred cash payment in a minimum amount of US\$50 million, which may be due in certain cases, including where Lybica, SLIO or an affiliate of Lybica directly or indirectly sells all or a material interest of the Putu Project to a third party or through any other transaction pursuant to which Lybica and/or its affiliates realises commercial value from the Putu Project. The deferred payment will be made in cash in an amount to be determined in accordance with the following provisions:

- (a) At any time after the earlier of (i) 30 June 2013 and (ii) two (2) months after the delivery by the Purchaser (as defined as Lybica in the Sale and Purchase Agreement attached to Schedule “B” of this Circular) to the Seller (as defined as Mano in the Sale and Purchase Agreement) and Afferro of a definitive feasibility study (“DFS”), the Seller (at its sole discretion) may require the Purchaser to make a payment of US\$50,000,000. Any such request shall be notified in writing by the Seller to the Purchaser at least 30 days prior to the requested payment date. If not exercised earlier, the Seller’s right under this clause (a) shall terminate on the second anniversary of such right first arising.
- (b) Provided the Seller has not exercised its rights under clause (a), in the event of a Realisation Event (as defined in the Sale and Purchase Agreement) on or prior to the date which is the earlier of (i) twelve (12) months after the delivery by the Purchaser to the Seller and Afferro of the DFS; and (ii) 31 March 2015 (the earliest of such dates being the Termination Date) the Purchaser shall make a cash payment to the Seller equal to the greater of (i) US\$70,000,000 and (ii) a sum determined in accordance with the following formula:

$$Y = (((V - A) \times 38.5\%) - B) \times 50\%$$

where:

Y = Payment due to the Seller

V = Total Aggregate Consideration payable to the Purchaser or any Affiliate of the Purchaser in respect of the Realisation Event determined in the manner provided in this Agreement

A = All costs incurred by the Company during the period from 1 January 2012 to the date of closing under the binding agreement relating to the Realisation Event

B = US\$65,000,000

- (c) At any time after 30 June 2014 the Purchaser may (at its sole discretion) make a cash payment of US\$70,000,000 to the Seller. Upon receipt of such payment by the Seller, any rights of the Seller under clauses (a) and (b) shall terminate.

By way of example, assuming (A) the Company has not exercised its right to the US\$50,000,000 and SLIO were sold prior to the earlier of 12 months after the delivery of a DFS and March 31, 2015, (B) SLIO were sold for US\$700,000,000, and (C) the costs incurred by SLIO were US\$150,000,000, the deferred payment due as calculated using the above formula would be US\$73,375,000. However, if the Company's right to this deferred payment arises after June 30, 2014, Lybica may at its sole discretion make a cash payment of US\$70,000,000 to the Company to satisfy and to terminate this right.

As a comparison, the deferred payment as calculated above would increase to US\$131,125,000 if the sale price were increased to US\$1,000,000,000.

Following the Transaction and Use of Proceeds

Upon completion of the Transaction, the Company's principal assets will be cash and the Nkout Project. The Company intends to use the proceeds of this Transaction to develop its Cameroon iron ore assets with special emphasis on its 100% owned Nkout Project. Specifically, the proceeds are intended to fund:

- the delivery of a PEA on the Nkout Project, which the Company aims to complete by the end of Q1 2012;
- the delivery of a PFS on the Nkout Project, which is estimated to be delivered by the end of 2012;
- the progress towards completion of a DFS on the Nkout Project; and
- the progress of the Company's three other iron ore exploration projects in Cameroon, in particular the Ntem and Ngoa projects.

The Company anticipates that work on the DFS for the Nkout Project will commence in the first half of 2013 and will take approximately twelve months to complete.

Break Fee

Under the Sale and Purchase Agreement, the Company and Mano, on the one hand, and Lybica, on the other hand, undertake that each will pay to the other the sum of US\$3 million in the event that: (a)

the Transaction does not complete prior to February 28, 2012 as a result of that party's failure to use its reasonable endeavours to satisfy the conditions precedent to completion; or (b) upon satisfaction or waiver of all the conditions precedent, it fails to fulfil its obligations with respect to the completion of the Transaction.

Approval and Recommendation of the Board of Directors

Severstal approached the Company in early September 2011 expressing their interest in acquiring Afferro's interest in the Putu Project. The Board of Directors and management of the Company have given careful consideration to their proposal and following subsequent negotiations have concluded that proceeding with the Transaction is in the best interests of the Company and its shareholders. In reaching this decision, the Board of Directors and management of the Company have considered, among other things:

- the outlook for the Company's working capital and ongoing cash flow requirements;
- the macro economic climate for 2012 and beyond and the constraints this could potentially place on raising equity capital, especially, the prospect of significant dilution to existing shareholders;
- the value accretive potential of developing the 100% owned Nkout Project;
- the on-going cash-flow requirements associated with maintaining the Company's non-controlling interest in the Putu Project which is estimated at US\$126 million for the joint venture for 2012/13;
- the value that the Company could create through the initial cash payment and the deferred consideration, including any additional payment should the Putu Project be sold to a third party at a higher valuation;
- searching for third party buyers compared to the benefits of selling directly to Severstal as the existing controlling shareholder of the Putu Project; and
- the terms of the Putu Joint Development and Financing Agreements, which provide Severstal a right of first refusal and a tag-along right in the event Afferro sells its minority interest to a third party.

As a result of the review process, the Board of Directors and management of the Company concluded unanimously that the best strategy to maximise long term shareholder value would be to obtain the maximum price for the Company's interest in the Putu Project through a sale to the Company's joint venture partner, Severstal. The negotiations with Severstal have taken one month and the Board of Directors and management of the Company are of the opinion that the agreed Purchase Price represents fair and adequate consideration for the Company's interest in the Putu Project. Based on these factors, the Board of Directors has approved the Transaction, subject to approval by the shareholders of the Company and the TSX Venture Exchange (the "TSX-V").

Since the announcement made on December 12, 2011 on the signing of the Heads of Terms, the Company has received support in respect of the Transaction from private and institutional shareholders and from the financial community.

The Board of Directors of the Company, after considering all relevant factors, has determined that the Transaction is in the best interests of the Company and its shareholders and recommends that the shareholders approve the Transaction at the Meeting.

Shareholder Approval

Pursuant to applicable stock exchange requirements, the Transaction must be authorised by an ordinary resolution at the Meeting. Accordingly, shareholders are being asked to approve a resolution authorising the Company to divest its interest in the Putu Project to Lybica (the “Transaction Resolution”), which must be passed by not less than a simple majority of the votes cast by the shareholders who vote in respect of the resolution. Severstal currently holds approximately 2.4% of the shares of the Company and such shares will not be permitted to vote in favour of the resolution.

The complete text of the Transaction Resolution which management intends to place before the Meeting for approval, confirmation and adoption, with or without modifications, is attached as Schedule “A” to this Circular.

It is intended that the Transaction will be completed on terms generally described in this Circular. There may be, however, circumstances or regulatory requirements, currently unforeseen by the Company, which may cause it to delay the completion of the Transaction or to complete the Transaction on terms that vary from the terms described in this Circular. Any variance will not, however, substantially alter the nature of the transaction described in this Circular.

Regulatory Approval (TSX-V)

The Transaction is subject to the approval of the TSX-V to which the Company has given notice of the Transaction.

Other Conditions of the Transaction

Besides terms and conditions of the Transaction described above, the respective obligations of the parties to the Transaction will be subject to a number of conditions precedent customary in transactions similar to the Transaction, as fully described under Section 3 of the Sale and Purchase Agreement attached as Schedule “B” to this Circular.

INTERESTS OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Other than as disclosed elsewhere in this Circular, since the commencement of the Company’s most recently completed financial year, no informed person of the Company, proposed director of the Company or associate or affiliate of such informed person or proposed director, had any material interest, direct or indirect in any transaction or in any proposed transaction which has materially affected or would materially affect the Company or any of its subsidiaries.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

At any time during the Company's last completed financial year, no director, executive officer or officer of the Company, proposed management nominee for election as a director of the Company or any associate or affiliate of any such director, executive or officer or proposed nominee is or has been indebted to the Company or any of its subsidiaries or is and has been indebted to another entity where such indebtedness is or has been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company or any of its subsidiaries.

MANAGEMENT CONTRACTS

The Company is not party to any management contracts and no persons provide significant management functions to the Company other than the directors and executive officers of the Company.

AUDITOR

BDO LLP is the current auditor of the Company. It was first appointed on June 25, 2009.

ANY OTHER MATTER

Management of the Company knows of no matters to come before the Meeting other than those referred to in the Notice of Meeting accompanying this Circular. However, if any other matters properly come before the Meeting, it is the intention of the persons named in the Form of Proxy accompanying this Circular to vote the same in accordance with their best judgment of such matters.

ADDITIONAL INFORMATION

Additional information relating to the Company is available on the Company's website, www.afferro-mining.com, and SEDAR at www.sedar.com. Financial information about the Company is provided in the Company's comparative annual financial statements and management discussion and analysis for its most recently completed financial year.

Shareholders of the Company may request copies of the Company's financial statements and MD&A by contacting the Secretary of the Company, Rod McKeen at Suite 3350, 1055 Dunsmuir Street, PO Box 49222, Four Bentall Centre, Vancouver, British Columbia, Canada V7X 1L2.

* * * * *

DIRECTORS' APPROVAL

The contents and the sending of this Circular have been approved by the Board of Directors of the Company.

Dated the 9th day of January, 2012.

By Order of the Board of Directors

"Luis da Silva" (signed)

Luis da Silva
President and Chief Executive Officer

Schedule "A"

Ordinary Resolution

Be it resolved, as an ordinary resolution of the shareholders of Afferro Mining Inc. (the "Company"), that:

1. the Company's proposed divestment (the "Transaction") of all of its 38.5% interest in Putu Iron Ore Mining Inc. registered in Liberia through its wholly-owned subsidiary Mano River Iron Ore Holdings Limited ("Mano") to Lybica Holdings B.V. ("Lybica") be and is hereby ratified, confirmed and approved;
2. the entering into the sale and purchase agreement (the "Sale and Purchase Agreement") dated December 23, 2011 between the Company, Mano and Lybica, a copy of which is attached in Schedule "B" to the Information Circular accompanying the Notice of Meeting of Shareholders of January 31, 2012, be and is hereby ratified, confirmed and approved;
3. notwithstanding that these resolutions have been duly passed and the Transaction approved by the shareholders of the Company, or that the divestment has been approved by regulatory authorities having jurisdiction over the common shares of the Company, the directors of the Company are hereby also authorised and empowered:
 - a. to amend the Sale and Purchase Agreement to the extent permitted by the Sale and Purchase Agreement, or otherwise; and
 - b. not to proceed with the Transaction;
4. the Board of Directors of the Company is hereby authorised to, or cause Mano to, file such documentation or instruments with any regulatory authority having proper jurisdiction, including without limitation, the TSX Venture Exchange and AIM concerning the resolution passed and is hereby authorised to make any amendments to the wording of the resolution as any such regulatory authority may require, in order that the intent of the ordinary resolution may be effected; and
5. any one or more directors or officers of the Company be and are hereby authorised to, or to cause Mano to, take all necessary steps and proceedings, and to, or cause Mano to, execute and deliver and file any and all applications, declarations, documents and other instruments and do all such other acts and things (whether under corporate seal of the Company or otherwise) that may be necessary or desirable to give effect to the provisions of this resolution.

Schedule "B"

Sale and Purchase Agreement

23 December 2011

MANO RIVER IRON ORE HOLDINGS LIMITED

LYBICA HOLDING B.V.

AFFERRO MINING INC.

AGREEMENT
for the sale and purchase of shares in
Severstal Liberia Iron Ore Ltd

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AGREEMENT

dated 23 December 2011

PARTIES:

- (1) **MANO RIVER IRON ORE HOLDINGS LIMITED**, a corporation incorporated in the Seychelles with company number 022 186, whose registered office is at Suite 3, La Ciotat Building, Mont Fleuri, Victoria, Mahe, Seychelles (*Mano* or the *Seller*);
- (2) **LYBICA HOLDING B.V.**, a private company with limited liability organised under the laws of The Netherlands, having its corporate seat in Amsterdam, The Netherlands, and its place of business at Strawinskylaan 3105, 1077 ZX Amsterdam, The Netherlands (the *Purchaser*); and
- (3) **AFFERRO MINING INC.**, a corporation continued under the laws of the Province of British Columbia, Canada, whose registered office is at Suite 3350, Four Bentall Centre, 1055 Dunsmuir Street, Vancouver, British Columbia, V7X 1L2 (*Afferro*),

(together the *parties*)

Words and expressions used in this Agreement shall be interpreted in accordance with Schedule 5.

RECITALS:

WHEREAS Mano, the Purchaser and Afferro entered into Binding Heads of Terms (the *Heads of Terms*) on 9 December 2011;

IT IS AGREED:

1. SALE AND PURCHASE

1.1 The Seller shall sell, and the Purchaser shall purchase, the Shares free from all Third Party Rights on the terms set out in this Agreement.

1.2 The Shares shall be sold with all rights attaching to them at Closing, including the right to receive all distributions and dividends declared, paid or made in respect of the Shares on or after Closing.

1.3 The Shares shall be sold free from all Third Party Rights and ownership and risk in the Shares shall (except as otherwise set out in this Agreement) pass to the Purchaser with effect from Closing.

2. PURCHASE PRICE

2.1 The aggregate price payable by the Purchaser to the seller for the Shares (the *Purchase Price*) shall be the aggregate of the Initial Payment and the Deferred Payment as provided in this clause 2.

2.2 The *Initial Payment* shall be a payment of US\$65,000,000 payable on Closing.

2.3 The *Deferred Payment* shall be a payment determined in accordance with the following provisions:

- (a) At any time after the earlier of (i) 30 June 2013 and (ii) two (2) months after the delivery by the Purchaser to the Seller and Afferro of the DFS, the Seller (at its sole discretion) may require the Purchaser to make a payment of US\$50,000,000. Any such request shall be notified in writing by the Seller to

the Purchaser at least 30 days prior to the requested payment date. If not exercised earlier, the Seller's right under this clause 2.3(a) shall terminate on the second anniversary of such right first arising.

- (b) Provided the Seller has not exercised its rights under clause 2.3(a), in the event of a Realisation Event on or prior to the date which is the earlier of (i) twelve (12) months after the delivery by the Purchaser to the Seller and Afferro of the DFS; and (ii) 31 March 2015 (the earliest of such dates being the **Termination Date**) the Purchaser shall make a cash payment to the Seller equal to the greater of (i) US\$70,000,000 and (ii) a sum determined in accordance with the following formula:

$$Y = (((V - A) \times 38.5\%) - B) \times 50\%$$

where:

Y = Payment due to the Seller

V = **Total Aggregate Consideration** payable to the Purchaser or any Affiliate of the Purchaser in respect of the Realisation Event determined in the manner provided in this Agreement

A = All costs incurred by the Company during the period from 1 January 2012 to the date of closing under the binding agreement relating to the Realisation Event

B = US\$65,000,000 (the **Initial Payment**)

By way of example, if the Company were sold for US\$1,000,000,000 and A = US\$150,000,000 the payment due to the Seller would be:

$$\begin{aligned} & (\text{US\$1,000,000,000} - \text{US\$150,000,000} = \text{US\$850,000,000}) \times 38.5\% = \\ & \text{US\$327,250,000} - \text{US\$65,000,000} = \text{US\$262,250,000} \times 50\% = \\ & \text{US\$131,125,000} \end{aligned}$$

Any such amount owing under this clause 2.3(b) will be payable 60 days from the date of completion set out in the relevant binding agreement relating to the Realisation Event. In the event the relevant completion occurs in stages or is conditional upon certain matters for payment of any of the Total Aggregate Consideration, the Deferred Payment will be payable in instalments *pro rata* to payments received by the Purchaser or any Affiliate of the Purchaser in connection with each completion stage or satisfaction of each condition, with each such instalment paid within 60 days upon completion of each stage or satisfaction of each condition.

For greater certainty, if this clause 2.3(b) applies in the event of a Realisation Event contemplating payment in stages or subject to each condition, so long as the relevant agreement is entered into by the Purchaser or any Affiliate of the Purchaser prior to the Termination Date, the Seller shall be entitled to continue to receive instalments in accordance with this clause 2.3(b) after the Termination Date.

If the Seller receives payment under this clause 2.3(b), the Seller shall not be entitled to payment under clause 2.3(a).

- (c) At any time after 30 June 2014 the Purchaser may (at its sole discretion) make a cash payment of US\$70,000,000 to the Seller. Upon receipt of such payment by the Seller, any rights of the Seller under clauses 2.3(a) and 2.3(b) shall terminate.

2.4 The Purchaser will, pending completion of the DFS, provide the Seller and Afferro with reports on the progress of the DFS and estimated time for its completion (interim and final) and, subject to Afferro and the Seller complying with applicable confidentiality requirements, provide the Seller and Afferro with (i) a copy of the DFS promptly after its completion and (ii) information on any proposed Realisation Event. Subject to Afferro and the Seller complying with applicable confidentiality requirements, the Purchaser will also notify the Seller and Afferro promptly upon the occurrence of any Realisation Event and provide the Seller and Afferro with copies of all relevant agreements and other information relating to such Realisation Event and to the Total Aggregate Consideration payable thereunder to the Purchaser or any Affiliate of the Purchaser. In the event of any dispute as to whether a Realisation Event has occurred or as to the calculation of any Deferred Payment under clause 2.3(b), such dispute shall be referred to arbitration in accordance with clause 24.2 hereunder.

3. CONDITIONS TO CLOSING

3.1 Closing shall be conditional on the following Conditions having been fulfilled or waived in accordance with this Agreement:

- (a) all necessary approvals of Governmental Entities and third parties in relation to the Proposed Transaction having been obtained;
- (b) there being no injunction, writ, preliminary restraining order or other order in effect of any nature issued by a court or other Governmental Entity of competent jurisdiction prohibiting or making illegal the consummation of the Proposed Transaction, or directing that the Proposed Transaction not be consummated as provided in this Agreement;
- (c) there being no actual or pending or any material threat of any (A) proceeding or investigation by a Governmental Entity or to which a Governmental Entity is (or would be) a party, or (B) suit, action or legal or arbitral proceeding by a third party:
 - (i) seeking to restrain or prohibit the Proposed Transaction or seeking to obtain from the Purchaser, any Target Company or the Seller any damages as a consequence of the entry into or consummation of the Proposed Transaction; or
 - (ii) seeking to prohibit or limit in any material respect the ownership by the Purchaser of the Shares or the Purchaser's indirect ownership interest in any of the Target Companies or seeking to require the Purchaser or any Target Company to dispose of or hold separate any material portion of its business or assets, as a result of the Proposed Transaction;
- (d) the Warranties being true and accurate and not misleading as at the Unconditional Date and at the Closing Date;

- (e) there not having occurred any Material Adverse Change since the date of this Agreement;
- (f) Afferro shall have obtained the approvals of its board of directors and common shareholders and any required approvals of the TSX Venture Exchange or the Alternative Investment Market operated by the London Stock Exchange to the Proposed Transaction;
- (g) Afferro shall have ceased to perform the Administrative Functions without any liability to Afferro from the Company, its Subsidiaries or the Purchaser and the Seller and Afferro shall have delivered to the Purchaser to its satisfaction acting reasonably all relevant documentation and information in their possession to enable the Purchaser to assume carriage of the Administrative Functions;
- (h) the Seller shall have obtained the approval of its directors and, where applicable, members to the Proposed Transaction;
- (i) the Seller shall (subject to clause 4.2) have made all the payments which fall due from it before the Closing Date in accordance with the Shareholder Agreement and other agreements to which the Purchaser and/or the Company and/or PIOM is a party; and
- (j) the Seller shall have ensured that the Company has paid its annual fees due to the registered agent and BVI Registry of Corporate Affairs in respect of 2011.

3.2 Each party shall use its reasonable endeavours to satisfy the Conditions relating to such party. The Conditions in clauses 3.1(a) to 3.1(c) and in clauses 3.1(f) and 3.1(h) may (insofar as is legally permissible) be waived by agreement in writing between the parties. The Conditions in clause 3.1(d) (as it relates to Warranties given by the Seller and Afferro) and in clauses 3.1(e), 3.1(g) and 3.1(i) may be waived by written notice from the Purchaser to the Seller and Afferro. The Condition in clause 3.1(d) (as it relates to the Purchaser Warranties) may be waived by written notice from the Seller and Afferro to the Purchaser.

3.3 The Seller and Afferro and the Purchaser shall each notify the other promptly upon becoming aware that any of the Conditions have been fulfilled. The first Business Day on or by which all Conditions have been fulfilled (or waived in accordance with clause 3.2) is the ***Unconditional Date***.

3.4 If the Unconditional Date has not occurred on or before 28 February 2012 (or such later date as the parties may agree in writing), this Agreement shall automatically terminate. In such event, none of the parties (nor any of their Affiliates) shall have any claim under this Agreement of any nature against any other party (or any of their Affiliates) except in respect of any rights and liabilities which have accrued before termination or under any of the Surviving Provisions and subject to clause 5.3.

4. PRE-CLOSING SELLER/PURCHASER UNDERTAKINGS

4.1 From the date of this Agreement until Closing, the Seller and the Purchaser shall comply with the obligations set out in the Shareholder Agreement, subject to clause 4.2.

4.2 The Seller shall be responsible for funding its share of the costs of the Company to 31 December 2011 pursuant to the terms of the Shareholder Agreement. On and after 1 January 2012, the Purchaser shall be responsible for all costs relating to the Company unless Closing does not occur by 28 February 2012 (in which case the Seller shall, within 60 days of 28

February 2012, fund its share of the Costs of the Company owing from 1 January 2012 to the Closing Date or, where this Agreement terminates in accordance with clause 3.4, to the date of such termination (as applicable) or have its holdings of the Company diluted in accordance with the terms of the Shareholder Agreement).

4.3 The Seller and Afferro shall deliver to the Purchaser by no later than 15 January 2012 all relevant documentation and information in their possession to enable the Purchaser to assume carriage of the Administrative Functions.

5. CLOSING ARRANGEMENTS AND BREAK-UP FEE

5.1 Closing shall take place at the London offices of the Purchaser's lawyers (or at such other location(s) as the parties may agree in writing) on the third Business Day after the Unconditional Date (provided that all the Conditions (other than those which have been waived in accordance with clause 3.2) remain fulfilled at that date and the deliveries contemplated by this clause 5) or such other date as the parties may agree in writing (the *Closing Date*).

5.2 At Closing each of the Seller and Afferro and the Purchaser shall deliver or perform (or ensure that there is delivered or performed) all those documents, items and actions respectively listed in relation to that party or any of its Affiliates in Schedule 4.

5.3 The Purchaser undertakes to the Seller and Afferro, and the Seller and Afferro undertake to the Purchaser, that it/they shall pay to the other(s) the sum of US\$3,000,000 in the event that (a) the Proposed Transaction does not complete as a result of that party's failure to use its reasonable endeavours to satisfy the Conditions prior to 28 February 2012 (or such later date as the parties may agree in writing); (b) upon satisfaction or waiver of all the Conditions, it/they fail/s to fulfil its/their obligations with respect to the Completion. The parties agree that such amount is a genuine pre-estimate of the losses which they are likely to suffer in such circumstances.

6. WARRANTIES, UNDERTAKINGS AND INDEMNITIES

6.1 The Seller and Afferro represent and warrant to the Purchaser as at the date of this Agreement in the terms of the Seller Warranties. The Seller Warranties shall be deemed to be repeated immediately before Closing by reference to the facts and circumstances then existing as if references in the Seller Warranties to the date of this Agreement were references to the date of Closing. Each Seller Warranty shall be separate and independent and (except as expressly otherwise provided) no Seller Warranty shall be limited by reference to any other Seller Warranty.

6.2 The Purchaser warrants to the Seller and Afferro as at the date of this Agreement in the terms of the Purchaser Warranties.

6.3 Any claim by the Purchaser in connection with the Seller Warranties, or by the Seller and Afferro in respect of the Purchaser Warranties, shall be subject to the provisions of this clause 6 and Schedule 2.

6.4 The Seller and Afferro agree and undertake to the Purchaser, and the Purchaser agrees and undertakes to the Seller and Afferro that, except in the case of fraud, they have no rights against and shall not make any claim against any present or former employee, director, agent or officer of any Target Company or any member of the Purchaser Group (in the case of the Seller and Afferro) or the Seller Group (in the case of the Purchaser) on whom it may have relied before agreeing any term of or before entering into this Agreement (including in

relation to any information supplied or omitted to be supplied by any such person in connection with the Warranties or this Agreement).

6.5 The Seller and Afferro undertake to notify the Purchaser in writing promptly if they, it or any other member of the Seller Group become aware of any circumstance arising after the date of this Agreement which would cause any Seller Warranty (if the Seller Warranties were repeated with reference to the facts and circumstances then existing) to become untrue or inaccurate or misleading in any material respect.

6.6 The Purchaser undertakes to notify the Seller and Afferro in writing promptly if it or any other member of the Purchaser Group becomes aware of any circumstance arising after the date of this Agreement which would cause any Purchaser Warranty (if the Purchaser Warranties were repeated with reference to the facts and circumstances then existing) to become untrue or inaccurate or misleading in any material respect.

6.7 If the Seller or Afferro has a liability arising under a Seller Obligation, any amounts due in satisfaction of that liability shall be paid in full without deduction or retention (except as required by law or as otherwise expressly permitted under this Agreement). If the Purchaser has a liability arising under a Purchaser Obligation, any amounts due in satisfaction of that liability shall be paid in full without deduction or retention (except as required by law or as otherwise expressly permitted under this Agreement).

6.8 Afferro hereby undertakes to the Purchaser to provide upon its reasonable request advice and comments (including by making its employees available to answer questions) to the Purchaser and the Company in connection with discharging the Administrative Functions after the Closing.

6.9 The Purchaser and its Affiliates shall not sell or otherwise dispose of any of its shares in Afferro to third parties (other than any Affiliate of the Purchaser) without first consulting with Afferro in relation to the proposed disposal for at least ten (10) Business Days before completing such disposal.

7. SELLER'S GUARANTEE

7.1 In consideration of the Purchaser entering into this Agreement, Afferro unconditionally and irrevocably guarantees to the Purchaser as a continuing obligation that the Seller will comply properly and punctually with its obligations under this Agreement, including obligations under clause 5.3.

7.2 Afferro's liability under clause 7.1 shall not be discharged or impaired by:

- (a) any amendment, variation or assignment of this Agreement or any waiver of its or their terms;
- (b) any release of, or granting of time or other indulgence to, the Seller or any third party;
- (c) any winding up, dissolution, reconstruction, legal limitation, incapacity or lack of corporate power or authority or other circumstances affecting the Seller (or any act taken by the Purchaser in relation to any such event);
- (d) any other act, event, neglect or omission (whether or not known to the Seller, the Purchaser or Afferro) which would or might (but for this clause) operate to impair or discharge Afferro's liability or afford Afferro or the Seller any legal or equitable defence;

- (e) anything which would otherwise have discharged the Seller (wholly or in part) or which would otherwise have afforded the Seller any legal or equitable defense including the Seller's obligations under this Agreement being or becoming illegal, void, voidable, invalid or unenforceable; or
- (f) any counterclaim.

7.3 In consideration of the Purchaser entering into this Agreement, as a separate, additional continuing and primary obligation, Afferro undertakes to indemnify the Purchaser and each of its affiliates against any costs or losses suffered or incurred by any of them as a result of the Seller's failure to comply properly and punctually with its obligations under this Agreement.

8. PURCHASER'S RIGHTS TO TERMINATE

8.1 The Purchaser may terminate this Agreement (other than the Surviving Provisions) by notice to the Seller and Afferro at any time before Closing if any of the following circumstances arises or occurs at any time before Closing:

- (a) any Material Adverse Change occurs;
- (b) a material breach of any Warranty as given on the date of this Agreement;
- (c) any Event occurs which would constitute a material breach of any of the Warranties if they were repeated at any time before Closing by reference to the facts and circumstances then existing (on the basis that references in the Warranties to the date of this Agreement were references to the relevant date);
- (d) any material breach by the Seller and Afferro of their obligations under this Agreement.

8.2 In relation to clauses 8.1(b) and 8.1(c), no Warranty shall be deemed to have been breached if it relates to an activity or change between the date of this Agreement and Closing properly contemplated by the Shareholder Agreement or a provision of this Agreement. This paragraph does not exclude the breach of Warranty in respect of any consequences of activity or change arising after the date of this Agreement to the extent that relevant activity or change has taken place before the date of this Agreement.

8.3 If the Purchaser terminates this Agreement under clause 8.1, none of the parties to this Agreement (nor any of their Affiliates) shall have any claim of any nature against any other party (or any of their Affiliates) under this Agreement (except in respect of any rights and liabilities which have accrued before termination including clause 5.3 or under any of the Surviving Provisions).

8.4 The Seller and Afferro undertake to disclose promptly to the Purchaser in writing any breach, matter, event, condition, circumstance, fact or omission of which any member of the Seller Group is or becomes aware that may give rise to a right of termination under clause 8.1.

9. PAYMENTS

9.1 Any payment to be made pursuant to this Agreement by the Purchaser to the Seller shall be made to the Seller's bank account. The Seller shall notify the Purchaser of its bank account details at least 3 Business Days prior to Closing.

9.2 Any payment to be made pursuant to this Agreement by the Seller to the Purchaser shall be made to the Purchaser's bank account. The Purchaser shall notify the Seller of its bank account details prior to the Seller making any payment to the Purchaser pursuant to this clause 9.2.

9.3 Payment under clauses 9.1 and 9.2 shall be in immediately available funds by electronic transfer on the due date for payment. Receipt of the amount due shall be an effective discharge of the relevant payment obligation.

10. ANNOUNCEMENTS

10.1 Until three (3) months after the Closing Date neither the Seller nor Afferro nor the Purchaser (nor any of their respective Affiliates) shall make any announcement or issue any circular in connection with the existence or the subject matter of this Agreement without the prior written approval of the others (such approval not to be unreasonably withheld or delayed). This clause 10.1 shall not restrict making any announcements or issuance of any circulars by the Purchaser or its Affiliates to the extent such announcements or circulars are materially in line with those once approved by the Seller and Afferro.

10.2 The restriction in clause 10.1 shall not apply to the extent that the announcement or circular is required of a party or its Affiliates by law, by any stock exchange or any regulatory or supervisory body or authority of competent jurisdiction, whether or not the requirement has the force of law. If this exception applies,

- (a) where the Purchaser or its Affiliate is making the announcement or issuing the circular, the Purchaser shall provide the Seller and Afferro with a copy; or
- (b) where the Seller or Afferro or their respective Affiliate is making the announcement or issuing the circular, the Seller or Afferro (as applicable) shall use its reasonable efforts to agree with the Purchaser in advance as to its form, content and timing.

11. CONFIDENTIALITY

11.1 For the purposes of this clause 11:

- (a) **Confidential Information** means:
 - (i) (in relation to the obligations of the Purchaser) any information received or held by the Purchaser (or any of its Representatives) relating to the Seller Group; or
 - (ii) (in relation to the obligations of the Seller and Afferro) any information received or held by the Seller and Afferro (or any of their Representatives) relating to the Purchaser Group or, following Closing, any of the Target Companies; and
 - (iii) information relating to the provisions and subject matter of, and negotiations leading to, this Agreement;and includes written information and information transferred or obtained orally, visually, electronically or by any other means;
- (b) **Representatives** means, in relation to a party, its respective Affiliates and the directors, officers, employees, agents, advisers, accountants and consultants of that party and/or of its respective Affiliates.

11.2 Each of the Seller and Afferro, on the one hand, and the Purchaser, on the other hand, shall (and shall ensure that each of its Representatives shall) maintain Confidential Information in confidence and not disclose that Confidential Information to any person except (i) as this clause 11 permits or (ii) as the other party approves in writing.

11.3 Clause 11.2 shall not prevent disclosure by a party or its Representatives to the extent that it can demonstrate that:

- (a) disclosure is required by law or by any stock exchange or any regulatory, governmental or antitrust body (including any tax authority) having applicable jurisdiction (provided that the disclosing party shall first inform the other parties of its intention to disclose such information and take into account the reasonable comments of the other parties);
- (b) disclosure is of Confidential Information which was lawfully in the possession of that party or any of its Representatives (in either case as evidenced by written records) without any obligation of secrecy prior to its being received or held;
- (c) disclosure is of Confidential Information which has previously become publicly available other than through that party's fault (or that of its Representatives);
- (d) disclosure is required for the purpose of any arbitral or judicial proceedings arising out of this Agreement.

11.4 Each of the Seller, Afferro and the Purchaser undertakes that it (and their Affiliates) shall only disclose Confidential Information to Representatives if they are reasonably required for purposes connected with this Agreement and only if the Representatives are informed of the confidential nature of the Confidential Information.

12. ASSIGNMENT

12.1 Except as provided in this clause 12 or unless the Seller, Afferro and the Purchaser specifically agree in writing, no party shall assign, transfer, charge or otherwise deal with all or any of its rights or obligations under this Agreement nor grant, declare, create or dispose of any right or interest in it. Without prejudice to the other rights the Purchaser may have, the Purchaser may discharge its payment obligations towards the Seller under this Agreement by procuring that the Permitted Assignee makes the relevant payment to the Seller.

12.2 The Purchaser may assign the benefit of this Agreement to, and it may be enforced by, any Permitted Assignee as if it were the Purchaser under this Agreement. For this purpose, a *Permitted Assignee* means any member or members of the Purchaser Group. The Seller and Afferro may, upon notice to the Purchaser, assign their rights but not their obligations hereunder with respect to receipt by the Seller of the Deferred Payment to any party to secure a bona fide financing provided by such party to the Seller or Afferro.

12.3 The Seller and Afferro shall within 10 Business Days from the date of relevant request from the Purchaser, execute and deliver to the Purchaser deeds of novation of this Agreement in form acceptable to the Seller and Afferro, acting reasonably, contemplating the transfer of the Purchaser's obligations under this Agreement to its Permitted Assignee. If requested by the Seller or Afferro, the Purchaser shall guarantee performance by such Permitted Assignee of its obligations under this Agreement (or any novated agreement) on the terms similar to the terms of clause 7, *mutatis mutandis*.

13. FURTHER ASSURANCES

13.1 Each of the Seller, Afferro and the Purchaser shall perform (or procure the performance of) all further acts and things and execute and deliver (or procure the execution and delivery of) such further documents, as may be required by law or as may be necessary to implement and give effect to this Agreement.

13.2 Each of the Seller, Afferro and the Purchaser shall procure that its Affiliates comply with all obligations under this Agreement which are expressed to apply to any such Affiliates.

14. COSTS

14.1 Subject to clause 14.2 and except as otherwise provided in this Agreement, the Seller, Afferro and the Purchaser shall each be responsible for its own costs, charges and other expenses (including those of its Affiliates) incurred in connection with the Proposed Transaction.

14.2 The person legally responsible for such stamp duty or other transfer tax shall bear any stamp duty or other transfer taxes (including interest and penalties) payable in respect of the Shares.

15. NOTICES

15.1 Any notice in connection with this Agreement shall be in writing in English and delivered by hand, fax, registered post or courier using an internationally recognised courier company. A notice shall be effective upon receipt and shall be deemed to have been received (i) at the time of delivery, if delivered by hand, registered post or courier or (ii) at the time of transmission if delivered by fax provided that, in either case, where delivery occurs outside Working Hours, notice shall be deemed to have been received at the start of Working Hours on the next following Business Day.

15.2 The addresses and fax numbers of the parties for the purpose of clause 15.1 are:

| <u>Seller</u> | <u>Address:</u> | <u>Fax:</u> |
|---|--|----------------------|
| Mano River Iron Ore Holdings Limited For the attention of: Luis da Silva | Suite 3 La Ciotat Building Mont Fleuri Victoria Mahe Seychelles | +44 (0) 20 7257 2939 |
| | and | |
| | c/o Afferro Mining Inc. 20 Southampton Street London, WC2E 7QH United Kingdom | |

With a copy to:

| | | |
|--------------------------|-----------------|---------------------|
| Blake, Cassels & Graydon | 23 College Hill | +44 (0)20 7429 3560 |
|--------------------------|-----------------|---------------------|

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LLP
For the attention of:
David Glennie
5th Floor
London
EC4R 2RP
United Kingdom

Purchaser

Address:

Fax:

Lybica Holding B.V.,
For the attention of:
The Directors
Strawinskylaan 3105
1077 ZX Amsterdam
The Netherlands
+31(0)20-406-4555

With a copy to:

Freshfields Bruckhaus
Deringer LLP
For the attention of:
Sebastian Lawson
65 Fleet Street
London, EC4Y 1HS
United Kingdom
+44 (0) 207 936 4000

Afferro

Address:

Fax:

Afferro Mining Inc.
For the attention of:
Luis da Silva
Suite 3350
Four Bentall Centre
1055 Dunsmuir Street
Vancouver
British Columbia
V7X 1L2
Canada
+44 (0)20 7257 2939

and

20 Southampton Street
London, WC2E 7QH
United Kingdom

With a copy to:

Blake, Cassels & Graydon
LLP
For the attention of:
David Glennie
23 College Hill
5th Floor
London
EC4R 2RP
United Kingdom
+44 (0)20 7429 3560

16. CONFLICT WITH OTHER AGREEMENTS

16.1 If there is any conflict between the terms of this Agreement and any other agreement, this Agreement shall prevail (as between the parties to this Agreement and as between any members of the Seller Group and any members of the Purchaser Group) unless (i) such other

agreement expressly states that it overrides this Agreement in the relevant respect and (ii) the Seller, Afferro and the Purchaser are either also parties to that other agreement or otherwise expressly agree in writing that such other agreement shall override this Agreement in that respect.

16.2 With effect from the Closing Date and subject to the Closing occurring, the parties shall cause the Shareholder Agreement to terminate and the parties thereto to be released from all obligations thereunder except (i) with respect to rights and obligations accrued prior to the Closing Date, (ii) for any rights or obligations which under the Shareholder Agreement are expressly stated to survive its termination and (iii) for the rights of access to information and assistance set out in clauses 13 and 15 of the Shareholder Agreement which will survive for a period of seven (7) years.

17. WHOLE AGREEMENT

17.1 This Agreement sets out the whole agreement between the parties in respect of the sale and purchase of the Shares and supersede any prior agreement (whether oral or written) relating to the Proposed Transaction including without limitation the Heads of Terms. It is agreed that:

- (a) no party shall have any claim or remedy in respect of any statement, representation, warranty or undertaking, made by or on behalf of the other party in relation to the Proposed Transaction which is not expressly set out in this Agreement; and
- (b) except for any liability in respect of a breach of this Agreement, no party shall owe any duty of care or have any liability in tort or otherwise to the other party in relation to the Proposed Transaction.

17.2 This clause 17 shall not exclude any liability for, or remedy in respect of, fraudulent misrepresentation.

18. WAIVERS, RIGHTS AND REMEDIES

18.1 No failure or delay by the Purchaser, the Seller or Afferro in exercising any right or remedy provided by law or under this Agreement shall impair such right or remedy or operate or be construed as a waiver or variation of it or preclude its exercise at any subsequent time and no single or partial exercise of any such right or remedy shall preclude any further exercise of it or the exercise of any other remedy.

18.2 The rights and remedies of the Purchaser under this Agreement shall not be affected, and the liabilities of the Seller and Afferro and/or their Affiliates under this Agreement shall not be released, discharged or impaired by (i) Closing, (ii) any investigation made into the affairs of the Target Companies or any knowledge held or gained of any such affairs by or on behalf of the Purchaser, or (iii) any event or matter, other than a specific and duly authorised written waiver or release by the Purchaser. No failure or delay by the Purchaser, the Seller or Afferro in exercising any right or remedy provided by law or under this Agreement shall impair such right or remedy or operate or be construed as a waiver or variation of it or preclude its exercise at any subsequent time and no single or partial exercise of any such right or remedy shall preclude any further exercise of it or the exercise of any other remedy.

19. EFFECT OF CLOSING

Notwithstanding Closing, (i) each provision of this Agreement not performed at or before Closing but which remains capable of performance (ii) the Warranties and (iii) all covenants, indemnities and other undertakings and assurances contained in or entered into pursuant to this Agreement will remain in full force and effect and (except as otherwise expressly provided) without limit in time.

20. COUNTERPARTS

This Agreement may be executed in any number of counterparts, and by each party on separate counterparts, each of which is an original but all of which taken together shall constitute one and the same instrument. Delivery of a counterpart of this Agreement by e-mail attachment shall be an effective mode of delivery.

21. VARIATIONS

No amendment of this Agreement shall be valid unless it is in writing and duly executed by or on behalf of all of the parties to it.

22. INVALIDITY

Each of the provisions of this Agreement is severable. If any such provision is held to be or becomes invalid or unenforceable in any respect under the law of any jurisdiction, it shall have no effect in that respect and the parties shall use all reasonable efforts to replace it in that respect with a valid and enforceable substitute provision the effect of which is as close to its intended effect as possible.

23. THIRD PARTY ENFORCEMENT RIGHTS

23.1 The specified third party beneficiaries of the undertakings or commitments referred to in clause 6.4 shall, in each case, have the right to enforce the relevant terms by reason of the Contracts (Rights of Third Parties) Act 1999. The rights of any such third party beneficiary are subject to (i) the rights of the parties to amend or vary this Agreement without the consent of that third party and (ii) the other terms and conditions of this Agreement.

23.2 Except as provided in clause 23.1, a person who is not a party to this Agreement shall have no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any of its terms.

24. GOVERNING LAW AND DISPUTE RESOLUTION

24.1 This Agreement shall be governed by, and interpreted in accordance with, English law.

24.2 Disputes in relation to this Agreement which the parties are unable to resolve by amicable negotiation within 30 days will be referred to and finally resolved by arbitration under the Rules of Arbitration of the International Chamber of Commerce. The site of the arbitration will be London, United Kingdom before a panel of three (3) arbitrators. The proceedings will be conducted in English.

SCHEDULE 1

SELLER WARRANTIES

Part A: General/Commercial

1. THE SELLER GROUP AND THE SHARES

1.1 Authorisations, valid obligations, filings and consents.

- (a) Except for the Conditions contemplated by clause 3.1 of this Agreement, the Seller and Afferro have obtained all corporate authorisations and all other governmental, statutory, regulatory or other consents, licences, authorisations, waivers or exemptions required to empower it to enter into and perform its obligations under this Agreement.
- (b) This Agreement constitutes valid and binding obligations of each of the Seller and Afferro enforceable in accordance with their respective terms.
- (c) Entry into and performance by the Seller and Afferro of this Agreement will not breach
 - (i) any provision of its memorandum and articles of association, by-laws, or equivalent constitutional documents; or
 - (ii) any contract or other arrangement to which any of them is a party,in each case in any way that would adversely affect to a material extent its ability to enter into or perform its obligations under this Agreement.
- (d) Subject to fulfilment of the Conditions, neither entry into this Agreement nor implementation of the Proposed Transaction will (i) result in violation or breach of any laws or regulations in any relevant jurisdiction or (ii) amount to a violation or default with respect to any statute, regulation, order, decree or judgment of any court or any governmental or regulatory authority in any jurisdiction, by the Seller or Afferro where, in each case, the breach, conflict or violation would adversely affect to a material extent its ability to enter into or perform its obligations under this Agreement.
- (e) Except as referred to in this Agreement and for disclosure required to be made by Afferro under applicable stock exchange and securities commission rules, no member of the Seller Group (i) is required to make any announcement, consultation, notice, report or filing or (ii) requires any consent, approval, registration, authorisation or permit, in each case in connection with the execution and performance of this Agreement.

1.2 Details of the Seller, Afferro and the Shares.

- (a) Each of the Seller and Afferro is validly incorporated, in existence and duly registered under the laws of its jurisdiction of incorporation.
- (b) The Seller is the sole owner of the Shares free from all Third Party Rights and is entitled to transfer or procure the transfer of the full ownership of the Shares to the Purchaser on the terms set out in this Agreement.

- (c) The Shares constitute 47,597,539 ordinary shares of the issued and allotted or, to the extent appropriate, registered, share capital of the Company as of the date of this Agreement. Upon Closing, the Purchaser will own the entire share capital of the Company provided that the Purchaser does not dispose of its shares in the Company between the signing of this Agreement and Closing. All the Shares were duly issued and are fully paid or properly credited as fully paid and there is no liability to pay any additional contributions on the Shares. Any increases of the share capital of the Target Companies were validly conducted and, to the extent appropriate, registered.
- (d) The arrangement agreement between Afferro and Aureus Mining Inc. (*Aureus*), dated 13 April, 2011 pursuant to which certain assets of Afferro were transferred to Aureus is valid and binding, was properly completed and did not affect Afferro's ownership of the Seller or the Seller's ownership of the Shares.

2. LITIGATION AND INVESTIGATIONS

2.1 Litigation. Neither the Seller nor Afferro is a claimant or defendant in or otherwise a party to any material litigation, arbitration or administrative proceedings (including any proceedings before any tribunal), which are in progress, threatened or pending by or against or concerning the Shares. Neither the Seller nor Afferro is aware of any circumstances which are likely to give rise to any such proceeding.

2.2 Investigations. So far as the Seller and Afferro are aware, no governmental, administrative, regulatory or other official investigation or inquiry concerning the Shares or the Seller or Afferro in relation to the Shares is in progress or pending and there are no circumstances likely to lead to any such investigation or inquiry.

3. INSOLVENCY ETC.

3.1 Winding up. No order has been made, petition presented or meeting convened for the winding up of the Seller or Afferro or for the appointment of any provisional liquidator or in relation to any other process whereby the business is terminated and the assets of the Seller or Afferro are distributed amongst its creditors and/or shareholders or other contributors, and there are no cases or proceedings under any applicable insolvency, reorganisation or similar laws in any relevant jurisdiction, and no events have occurred which, under applicable laws, would be reasonably likely to justify any such cases or proceedings.

3.2 Administration and receivership. No person has taken any step, legal proceeding or other procedure with a view to the appointment of an administrator, whether out of court or otherwise, in relation to the Seller or Afferro and no receiver (including any administrative receiver) has been appointed in respect of the whole or any part of any of the property, assets and/or undertaking of the Seller or Afferro nor has any such order been made (including, in any relevant jurisdiction, any other order by which, during the period it is in force, the affairs, business and assets of the company concerned are managed by a person appointed for the purpose by a court, governmental agency or similar body).

3.3 Voluntary arrangement etc. Neither the Seller nor Afferro has taken any step with a view to a suspension of payments or a moratorium of any indebtedness or has made any

voluntary arrangement with any of its creditors or is insolvent or unable to pay its debts as they fall due.

SCHEDULE 2

LIMITATIONS ON LIABILITY

1. No Time Limits. There shall be no time limit on claims in relation to the Seller Warranties or the Purchaser Warranties.
2. Thresholds for Claims. The Seller and Afferro or the Purchaser (as applicable) shall not be liable for any single Claim for breach of Warranty:
 - (a) unless the amount of the liability pursuant to that single Claim (and, for these purposes, a number of Claims arising out of the same or similar subject matter, facts, events or circumstances may be aggregated and form a single Claim) exceeds US\$50,000, in which case the Purchaser or the Seller and Afferro (as applicable) shall be able to claim the whole amount of such Claim and not merely the excess; and
 - (b) unless the aggregate amount of the liability of the Seller and Afferro or the Purchaser (as applicable) for all Claims not prohibited by paragraph (a) above exceeds US\$500,000 (in which case the Purchaser or the Seller and Afferro (as applicable) shall be entitled to claim the whole amount of such Claims and not merely the excess).

For the avoidance of doubt, the Purchaser or the Seller and Afferro (as applicable) may give notice of any single Claim in accordance with and for the purpose of paragraph 1 above, irrespective of whether, at the time the notice is given, the amount set out in paragraph (b) has been exceeded.

3. Maximum limit for all Claims. The aggregate amount of the liability of the Seller and Afferro for all Claims shall not exceed the Purchase Price actually received by the Seller.
4. Claim to be withdrawn unless litigation commenced. Any Claim shall (if it has not been previously satisfied, settled or withdrawn) be deemed to have been withdrawn unless legal proceedings in respect of it have commenced by both being issued and served within 12 months of notification to the Seller and Afferro or to the Purchaser (as applicable) except where the Claim is a Claim for breach of Warranty of which notice is given at a time when the amount set out in paragraph 2(b) has not been exceeded, in which case it shall be deemed to have been withdrawn unless legal proceedings in respect of it have been commenced by being both issued and served within 12 months of the date of any subsequent notification to the Seller and Afferro or to the Purchaser (as applicable) above of one or more Claims for breach of Warranty which result(s) in the total amount claimed in all Claims for breach of Warranty notified to the Seller and Afferro or to the Purchaser (as applicable) pursuant to paragraph 1 exceeding the amount set out in paragraph 2(b) for the first time. This paragraph is not intended to limit liability in relation to any Claim based upon a liability which is contingent only unless and until the contingent liability gives rise to an obligation to make a payment.
5. Limitations not applicable if fraud etc. None of the limitations contained in paragraphs 2, 3 and 4 shall apply to any Claim to the extent that the Claim (or the delay in discovery of it) is the consequence of, or is increased as a consequence of, dishonest or deliberate mis-statement or concealment or other fraud by the party or any officer or employee (or former officer or employee) of the party.

6. Contingent liabilities. If any Claim for breach of Warranty is based upon a liability which is contingent only, the party shall not be liable to make payment unless and until the contingent liability gives rise to an obligation to make a payment.
7. No double recovery. No party shall be entitled to recover damages or obtain payment, reimbursement, restitution or indemnity more than once in respect of any one liability, loss, cost, shortfall, damage or deficiency, regardless of whether more than one Claim arises in respect of it.
8. Party to have opportunity to remedy breaches. A breach of any Warranty which is capable of remedy shall not entitle the party to compensation unless the other party or parties is given written notice of the breach by the party and the breach is not remedied within 30 days after the date on which notice is served on the party or parties.
9. Permitted Changes. No Warranty shall be deemed to have been breached if it relates to an activity or change between the date of this Agreement and Closing properly contemplated by the Shareholder Agreement or a provision of this Agreement. This paragraph does not exclude liability for any consequences of activity or change arising after the date of this Agreement to the extent that relevant activity or change has taken place before the date of this Agreement.

SCHEDULE 3

PURCHASER WARRANTIES

1. The Purchaser is validly incorporated, in existence and duly registered under the laws of its jurisdiction of incorporation and has full power to conduct its business as conducted at the date of this Agreement.
2. The Purchaser has obtained all corporate authorisations and (other than to the extent relevant to the Conditions) all other governmental, statutory, regulatory or other consents, licences, authorisations, waivers or exemptions required to empower it to enter into and perform its obligations under this Agreement where failure to obtain them would adversely affect to a material extent its ability to enter into and perform its obligations under this Agreement.
3. This Agreement constitutes valid and binding obligations of the Purchaser.
4. Entry into and performance by the Purchaser of this Agreement will not (i) breach any provision of its memorandum and articles of association, by-laws or equivalent constitutional documents or (ii) (subject, where applicable, to fulfilment of the Conditions) result in a breach of any laws or regulations in its jurisdiction of incorporation or of any order, decree of judgment of any court or any governmental or regulatory authority, where any such breach would affect to a material extent its ability to enter into or perform its obligations under this Agreement.
5. The financial statements included in the unaudited annual report of the Purchaser in respect of the financial year ended 31 December 2010, as provided to the Seller and Afferro, contain a true statement of the Purchaser's financial condition in accordance with the accounting rules applicable to such financial statements.

SCHEDULE 4

CLOSING ARRANGEMENTS

Part A: Obligations of the Seller and Afferro

1. At or before Closing, the Seller and Afferro shall deliver or ensure that there is delivered to the Purchaser (or made available to the Purchaser's satisfaction):
 - (a) all necessary documents, duly executed or endorsed where so required, to enable title in all the Shares to pass fully and effectively into the name of the Purchaser or its nominee, including any documents, such as necessary waivers of pre-emption rights or other consents, as may be required to enable the Purchaser and/or its nominee to be registered as the holder of the Shares;
 - (b) the share certificates (including in relation to any bearer shares) or equivalent documents in the relevant jurisdiction in respect of all of the Shares in respect of which certificates were issued or are required by law to be issued and an instrument of transfer signed by the Seller to effect the transfer of Shares to the Purchaser and/or its nominee;
 - (c) letters duly executed by such directors as the Purchaser may notify to the Seller and Afferro prior to Closing resigning their office and waiving all claims against the Company for loss of office in respect of their directorships of the Target Companies;
 - (d) letters duly executed by such company secretaries as the Purchaser may notify to the Seller prior to Closing resigning their office and waiving all claims against the Company for loss of office in respect of their position as company secretary of the Target Companies;
 - (e) a duly executed letter of instruction addressed to the registered agent of the Company in relation to change of client of record and updates to register of members of the Company in relation to transfer of the Shares to the Purchaser and/or its nominee;
 - (f) a copy (certified by a duly appointed officer as true and correct) of a resolution of the board and/or supervisory board (as necessary to provide valid authorisation) of directors of the Seller and Afferro (or, if required by the law of its jurisdiction or its articles of association, by-laws or equivalent constitutional documents or requirements of applicable securities commission and stock exchange rules, of its shareholders or members) authorising the execution of and the performance by the relevant company of its obligations under this Agreement; and
 - (g) a resolution of the shareholders of the Company in the form proposed by the Purchaser duly executed by the Seller approving the restated articles of association of the Company and noting that the pre-emption rights from the current articles of association of the Company do not apply to the transfer of Shares under this Agreement.

Part B: Purchaser Obligations

2. At Closing, the Purchaser shall:

- (a) deliver or ensure that there is delivered to the Seller and Afferro (or made available to the satisfaction of the Seller and Afferro) a copy of a resolution (certified by a duly appointed officer as true and correct) of the board and/or supervisory board (as necessary to provide valid authorisation) of directors of the Purchaser (or, if required by the law of its jurisdiction or its articles of association, by-laws or equivalent constitutional documents, of its shareholders) authorising the execution of and the performance by the relevant company of its obligations under this Agreement;
- (b) deliver or ensure that there is delivered to the Seller and Afferro (or made available to the satisfaction of the Seller and Afferro) releases in form and substance satisfactory to the Seller and Afferro acting reasonably releasing any of their nominee directors or employees seconded to offices of the Target Companies from any claims by the Target Companies; and
- (c) pay to the Seller the Initial Payment referred to in clause 2.2.

Part C: Mutual Obligations

3. At Closing, the parties shall cause to be executed and delivered an agreement terminating the Shareholder Agreement on the terms contemplated by clause 16.2.

SCHEDULE 5

DEFINITIONS AND INTERPRETATION

1. Definitions. In this Agreement, the following words and expressions shall have the following meanings:

Administrative Functions means the administrative functions currently carried on by the Seller Group to support the Company, comprising the following functions:

- (a) maintaining financial records and satisfactory accounts for the Company and PIOM and co-ordinating auditing requirements;
- (b) paying suppliers to the Target Companies as instructed by the Company and PIOM;
- (c) managing bank accounts in the United Kingdom for the Target Companies and reporting on cash movements;
- (d) co-ordinating cash call payments to Liberia;
- (e) preparing monthly financial reports;
- (f) providing legal support for corporate and secretarial requirements of the Target Companies, including maintenance of the shareholders register of the Company; and
- (g) making relevant filings and other submissions in the relevant jurisdictions to maintain the corporate existence and legal capacity of the Company and PIOM and/or their registrations as legal entities with the relevant Governmental Entity;

Afferro means Afferro Mining Inc., a corporation continued under the laws of the province of British Columbia, Canada;

Affiliate means in relation to any party, any subsidiary or parent company of that party and any subsidiary of any such parent company, in each case from time to time;

Business Day means a day other than a Saturday or Sunday or public holiday in the United Kingdom or Canada on which banks are open in London, United Kingdom and Vancouver, Canada for general commercial business;

Claim means any claim for breach of Warranty;

Closing means completion of the sale and purchase of the Shares in accordance with the provisions of this Agreement;

Closing Date has the meaning given in clause 5.1;

Company means Severstal Liberia Iron Ore Limited, a corporation incorporated in the British Virgin Islands with Company No 1058041, whose registered office is at Pasea Estate, Road Town, Tortola, British Virgin Islands;

Conditions means the conditions to Closing set out in clause 3.1 and Condition means any of them;

Confidential Information has the meaning given in clause 11;

Costs means losses, damages, costs (including reasonable legal costs) and expenses (including taxation) in each case of any nature whatsoever;

Deferred Payment has the meaning given in clause 2.3;

DFS means a definitive feasibility study satisfying requirements for a “feasibility report” under the Mineral Development Agreement;

Event has the meaning given in the definition of Material Adverse Change;

Governmental Entity means any supra-national, national, state, municipal or local government (including any subdivision, court, administrative agency or commission or other authority thereof) or any quasi-governmental or private body exercising any regulatory, taxing, importing or other governmental or quasi-governmental authority, including the European Union;

Initial Payment has the meaning given in clause 2.2;

Material Adverse Change means any event, circumstance, effect, occurrence or state of affairs or any combination of them (whether existing or occurring on or before the date of this Agreement or arising or occurring afterwards) (an **Event**) (a) which is, or is reasonably likely to be, materially adverse to PIOM’s rights under the Mineral Development Agreement or (b) resulting from any action or decision of a Governmental Entity in Liberia or any fire, flood, earthquake, war, act of terrorism, explosion or riot or other similar event which is, or is reasonably likely to be, materially adverse to the Company’s Putu Project;

Mineral Development Agreement means the Putu Project mineral development agreement granted by the Government of Liberia to PIOM on 2 September 2010 and ratified by the Legislature of Liberia on 10 September 2010;

MRIOL means Mano River Iron Ore Ltd, a corporation incorporated in the Seychelles with Company No. 020618;

Permitted Assignee has the meaning given in clause 12.2;

PIOM means Putu Iron Mining Inc., a corporation incorporated in Liberia with Company No. 120505;

Proposed Transaction means the transactions contemplated by this Agreement;

Purchaser Group means the Purchaser and its Affiliates from time to time;

Purchaser Obligation means any representation, warranty or undertaking to indemnify given by the Purchaser to the Seller and Afferro under this Agreement;

Purchase Price has the meaning given in clause 2.1;

Purchaser Warranties means the warranties set out in Schedule 3;

Realisation Event means the first of any the following events happening after the Closing Date:

- (i) any transaction entered into by the Purchaser or any Target Company, as a seller, and a third party (other than any Affiliate of Severstal) to directly or indirectly sell all or a material interest (being not less than 10%) of the shares or assets of, or economic interests in (in each case measured for all the Target Companies on the aggregate basis) the Company or any of its Subsidiaries including by way of example and without limitation (a) a sale of shares or other securities in the Company, (b) the introduction of one or more investors in any of the Target Companies, (c) the offering of shares or other securities to the public in any of the

Target Companies, (d) a joint venture on the Putu project or (e) any other transaction pursuant to which the Purchaser realises commercial value for the Company; or

(ii) any private transaction (and expressly excluding any capital market transaction) entered into by the direct shareholder or direct shareholders of the Purchaser, which are the Affiliates of Severstal, as sellers, and a third party (other than any Affiliate of Severstal) to sell more than sixty (60) per cent. of the shares in the capital of the Purchaser;

Representatives has the meaning given in clause 11.1;

Seller Group means the Seller and its Affiliates from time to time but excluding the Target Companies;

Seller Obligation means any representation, warranty or undertaking to indemnify given by the Seller to the Purchaser under this Agreement;

Seller Warranties means the warranties set out in Schedule 1;

Severstal means ZAO Severstal Resource a closed joint stock company incorporated in Russia, with main Registration Number (OGRN) 1037739826926, whose registered office is at 2/3 Klara Stetkin Str., 127299, Moscow, Russia;

Shareholder Agreement means the agreement dated 10 December 2008 among the Seller, the Purchaser and the Company;

Shares means all of the ordinary shares in the capital of the Company owned by Mano as of the Closing Date;

Subsidiaries means MRIOL, PIOM and Mano River Iron Ore (Guinea) Ltd. and any other company that becomes a Subsidiary of the Company, and **Subsidiary** means any one of them;

subsidiary and **subsidiaries** means any company in relation to which another company is its parent company;

Surviving Provisions means clauses 4.2, 4.3, 5 (Break Fee), 10 (Announcements), 11 (Confidentiality), 12 (Assignment), 14 (Costs), 15 (Notices), 16 (Conflict with other Agreements), 17 (Whole Agreement), 18 (Waivers, Rights and Remedies), 21 (Variations), 22 (Invalidity), 23 (Third Party Enforcement Rights), 24 (Governing Law and Dispute Resolution) and Schedule 5 (Definitions and Interpretation);

Target Companies means the Company and the Subsidiaries, and **Target Company** means any of them;

Termination Date has the meaning given in clause 2.3;

Third Party Right means any interest or equity of any person (including any right to acquire, option or right of pre-emption or conversion) or any mortgage, charge, pledge, lien, assignment, hypothecation, security interest, title retention or any other encumbrance, security agreement or arrangement of any nature whatsoever, or any agreement to create any of the above;

Total Aggregate Consideration means the sum of all cash paid plus the fair market value of all non-cash consideration from the Realisation Event;

Unconditional Date has the meaning given in clause 3.3;

Warranties shall mean the Seller Warranties and the Purchaser Warranties;

Working Hours means 9.30am to 5.30pm in the relevant location on a Business Day.

2. Interpretation. In this Agreement, unless the context otherwise requires:
- (a) references to a person include any individual, firm, body corporate (wherever incorporated), government, state or agency of a state or any joint venture, association, partnership, works council or employee representative body (whether or not having separate legal personality);
 - (b) headings do not affect the interpretation of this Agreement; the singular shall include the plural and vice versa; and references to one gender include all genders;
 - (c) references to any English legal term or concept shall, in respect of any jurisdiction other than England, be construed as references to the term or concept which most nearly corresponds to it in that jurisdiction;
 - (d) references to US Dollars or \$ are references to the lawful currency from time to time of the United States of America;
 - (e) any phrase introduced by the terms including, include, in particular or any similar expression shall be construed as illustrative and shall not limit the sense of the words preceding those terms.
3. Enactments. Except as otherwise expressly provided in this Agreement, any express reference to an enactment (which includes any legislation in any jurisdiction) includes references to (i) that enactment as amended, consolidated or re-enacted by or under any other enactment before or after the date of this Agreement; (ii) any enactment which that enactment re-enacts (with or without modification); and (iii) any subordinate legislation (including regulations) made (before or after the date of this Agreement) under that enactment, as amended, consolidated or re-enacted as described in (i) or (ii) above, except to the extent that any of the matters referred to in (i) to (iii) occurs after the date of this Agreement and increases or alters the liability of the Seller, Afferro or the Purchaser under this Agreement.
4. Schedules. The Schedules comprise schedules to this Agreement and form part of this Agreement where there is any inconsistency between the definitions set out in this Schedule and the definitions set out in any clause or any other Schedule, then, for the purposes of construing such clause or Schedule, the definitions set out in such clause or Schedule shall prevail.

SIGNATURE

This Agreement is signed by duly authorised representatives of the parties:

SIGNED) SIGNATURE: _____
for and on behalf of)
MANO RIVER IRON ORE) NAME: _____
HOLDINGS LIMITED)

SIGNED) SIGNATURE: _____
for and on behalf of)
LYBICA HOLDING B.V.) NAME: _____
)
)
) SIGNATURE: _____
)
) NAME: _____

SIGNED) SIGNATURE: _____
for and on behalf of)
AFFERRO MINING INC.) NAME: _____

