

Condensed Interim Consolidated Financial Statements (Unaudited)

**Afferro Mining Inc. (previously African Aura Mining Inc.)**

(An exploration stage company)

**For the Three Months Ended March 31, 2011**

(Stated in US dollars)

**Afferro Mining Inc. (previously African Aura Mining Inc.)**  
**(an exploration stage company)**

Condensed Interim Consolidated Statements of Financial Position (Unaudited)

(Stated in US dollars)

	March 31, 2011 \$	December 31, 2010 \$	January 1, 2010 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	16,398,642	21,662,666	3,695,796
Trade and other receivables	671,775	488,013	4,414,215
Inventories	-	66,692	220,826
Assets held for distribution to owners (Note 4)	48,742,113	51,352,960	-
	<b>65,812,530</b>	<b>73,570,331</b>	<b>8,330,837</b>
<b>Non-current assets</b>			
Intangible assets			
- Resource properties (Note 5)	1,886,276	1,886,276	9,882,223
- Deferred exploration costs (Note 5)	7,501,614	4,799,774	22,378,268
Property, plant and equipment (Note 6)	1,711,459	999,105	11,474,139
Investment in associates (Note 7)	13,415,023	10,081,078	7,200,097
	<b>24,514,372</b>	<b>17,766,233</b>	<b>50,934,727</b>
<b>Total assets</b>	<b>90,326,902</b>	<b>91,336,564</b>	<b>59,265,564</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	3,660,848	1,737,629	2,288,447
Convertible debentures	-	-	3,399,762
Interest payable on convertible debentures	-	-	120,924
Derivative financial instruments	-	-	125,388
Due to related parties	-	345,141	879,464
Liabilities held for distribution to owners (Note 4)	383,130	656,542	-
	<b>4,043,978</b>	<b>2,739,312</b>	<b>6,813,985</b>
<b>Non-current liabilities</b>			
Convertible debentures	-	-	396,078
Provisions	48,062	46,373	54,369
	<b>48,062</b>	<b>46,373</b>	<b>450,447</b>
<b>Total liabilities</b>	<b>4,092,040</b>	<b>2,785,685</b>	<b>7,264,432</b>
<b>Equity</b>			
Share capital (Note 8)	104,955,903	104,366,164	50,637,085
Share based payment reserve (Note 8)	9,694,393	7,255,394	5,292,619
Warrant reserve	-	-	2,808
Convertible debentures	-	-	2,637,802
Cumulative translation reserve	(198,624)	(1,229,363)	-
Deficit	(28,216,810)	(21,841,316)	(11,610,833)
Non-controlling interest	-	-	5,041,651
<b>Total equity</b>	<b>86,234,862</b>	<b>88,550,879</b>	<b>52,001,132</b>
<b>Total liabilities and equity</b>	<b>90,326,902</b>	<b>91,336,564</b>	<b>59,265,564</b>

Subsequent events – Note 10

The accompanying notes are an integral part of these consolidated financial statements.

**Afferro Mining Inc. (previously African Aura Mining Inc.)  
(an exploration stage company)**

**Condensed Interim Consolidated Statements of Comprehensive (Loss)/Income (Unaudited)**  
(stated in US dollars)

	<b>3 months ended March 31, 2011 \$</b>	<b>3 months ended March 31, 2010 \$</b>
<b>(Expenses)/income</b>		
Legal and professional	<b>(996,517)</b>	(124,735)
Depreciation (Note 6)	<b>(102,366)</b>	(60,097)
Wages and salaries	<b>(753,121)</b>	(145,266)
Stock based compensation (Note 8)	<b>(2,438,999)</b>	(846,481)
Foreign exchange (loss)/gain	<b>(80,869)</b>	41,446
Other expenses	<b>(563,442)</b>	(197,409)
<b>Loss from operations</b>	<b>(4,935,314)</b>	(1,332,542)
Share in result of associates (Note 7)	<b>(87,193)</b>	6,714
Unrealized foreign exchange gain on convertible debentures	-	176,363
Finance income	<b>37,567</b>	3,787
Finance expense	-	(374,110)
<b>Loss for the period from continuing operations</b>	<b>(4,984,940)</b>	(1,519,788)
(Loss)/gain on assets held for distribution to owners (Note 4)	<b>(1,390,554)</b>	1,923,871
<b>(Loss)/income for the period</b>	<b>(6,375,494)</b>	404,083
Attributable to:		
Owners of the parent	<b>(6,375,494)</b>	716,206
Non-controlling interest	-	(312,123)
	<b>(6,375,494)</b>	404,083
<b>Other comprehensive (loss)/income</b>		
Currency translation differences	<b>1,030,739</b>	(41,804)
<b>Total comprehensive (loss)/income for the period</b>	<b>(5,344,755)</b>	362,279
Attributable to:		
Owners of the parent	<b>(5,344,755)</b>	674,402
Non-controlling interest	-	(312,123)
	<b>(5,344,755)</b>	362,279
<b>(Loss)/income per share</b>		
Weighted average number of shares outstanding, basic and diluted	<b>86,010,417</b>	52,884,456
From continuing operations, basic and diluted	<b>(0.058)</b>	(0.023)
From continuing and discontinued operations, basic and diluted	<b>(0.074)</b>	0.014

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**Afferro Mining Inc. (previously African Aura Mining Inc.)**  
**(an exploration stage company)**  
**Condensed Interim Consolidated Statements of Cash Flows (Unaudited)**  
(stated in US dollars)

	<b>3 months ended March 31, 2011 \$</b>	3 months ended March 31, 2010 \$
<b>Operating activities</b>		
(Loss)/Income for the period	<b>(6,375,494)</b>	404,083
Items not affecting cash:		
Gain on disposal of subsidiary	-	(2,913,773)
Share in results of associates	<b>635,923</b>	210,205
Share-based payments	<b>2,438,999</b>	846,481
Accretion of convertible debentures	-	374,110
Interest income	<b>(37,654)</b>	(7,494)
Unrealized foreign exchange gain on convertible debentures	-	(176,362)
Unrealized foreign exchange gain	<b>75,515</b>	70,796
Loss of significant influence of associate	<b>744,681</b>	-
Depreciation, depletion, and amortization	<b>148,407</b>	337,379
Changes in non-cash working capital		
Trade and other receivables	<b>(160,773)</b>	(30,947)
Inventories	<b>66,693</b>	181,363
Trade and other payables	<b>1,364,993</b>	668,033
Due to related party	-	650,080
<b>Cash flows from operating activities</b>	<b>(1,098,710)</b>	613,954
<b>Investing activities</b>		
Payments to acquire property, plant and equipment	<b>(914,186)</b>	(58,940)
Payments for resource properties	<b>(141,349)</b>	-
Payments for deferred exploration expenditure	<b>(4,440,084)</b>	(2,755,690)
Disposal of subsidiary	-	(69,382)
Investment in associates	<b>(3,766,278)</b>	-
Interest received	<b>37,654</b>	7,494
<b>Cash flows used in investing activities</b>	<b>(9,224,243)</b>	(2,876,518)
<b>Financing activities</b>		
Exercise of stock options	<b>589,739</b>	-
Interest paid on convertible debentures	-	(85,387)
Due to/(from) related parties	-	96,407
<b>Cash flows from financing activities</b>	<b>589,739</b>	11,020
Impact of foreign exchange on cash balance	<b>959,842</b>	24,411
<b>Net decrease in cash and cash equivalents</b>	<b>(8,773,372)</b>	(2,227,133)
Cash and cash equivalents at beginning of period	<b>36,104,442</b>	3,695,796
<b>Cash and cash equivalents at end of period</b>	<b>27,331,070</b>	1,468,663
<b>Cash flows from assets held for distribution</b>		
Cash flows from operating activities	<b>(327,044)</b>	182,114
Cash flows used in investing activities	<b>(2,235,425)</b>	(2,276,128)
<b>Cash and cash equivalents at the end of the period relate to:</b>		
Continuing operations	<b>16,398,642</b>	1,468,663
Discontinued operations (Note 4)	<b>10,932,428</b>	-
	<b>27,331,070</b>	1,468,663

The accompanying notes are an integral part of these consolidated financial statements.

**Afferro Mining Inc. (previously African Aura Mining Inc.)**

**(an exploration stage company)**

**Condensed Interim Consolidated Statements of Changes in Equity (Unaudited)**

(stated in US dollars)

	Share capital \$ (Note 8)	Share based payment reserve \$ (Note 8)	Warrant reserve \$	Equity component of convertible debentures \$	Cumulative translation reserve \$	Deficit \$	Non- controlling interest \$	Total equity \$
Balance at January 1, 2010	50,637,085	5,292,619	2,808	2,637,802	-	(11,610,833)	5,041,651	52,001,132
Income for the period	-	-	-	-	-	716,206	(312,123)	404,083
Comprehensive loss for period	-	-	-	-	(41,804)	-	-	(41,804)
Share-based payments	-	846,481	-	-	-	-	-	846,481
Shares issued to non-controlling interest	-	-	-	-	-	-	524,917	524,917
Disposal of subsidiary	-	-	-	-	-	-	(5,254,445)	(5,254,445)
Balance March 31, 2010	50,637,085	6,139,100	2,808	2,637,802	(41,804)	(10,894,627)	-	48,480,364
Loss for the period	-	-	-	-	-	(10,949,497)	-	(10,949,497)
Comprehensive loss for period	-	-	-	-	(1,187,559)	-	-	(1,187,559)
Shares issued	49,278,442	-	-	-	-	-	-	49,278,442
Share issue costs	(1,845,985)	-	-	-	-	-	-	(1,845,985)
Share-based payments	-	1,116,294	-	-	-	-	-	1,116,294
Expired warrants	-	-	(2,808)	-	-	2,808	-	-
Conversion of convertible debentures	6,277,970	-	-	(2,637,802)	-	-	-	3,640,168
Exercise of stock options	18,652	-	-	-	-	-	-	18,652
Balance at December 31, 2010	104,366,164	7,255,394	-	-	(1,229,363)	(21,841,316)	-	88,550,879
Loss for the period	-	-	-	-	-	(6,375,494)	-	(6,375,494)
Comprehensive income for period	-	-	-	-	1,030,739	-	-	1,030,739
Share-based payments	-	2,438,999	-	-	-	-	-	2,438,999
Exercise of stock options	589,739	-	-	-	-	-	-	589,739
<b>Balance at March 31, 2011</b>	<b>104,955,903</b>	<b>9,694,393</b>	<b>-</b>	<b>-</b>	<b>(198,624)</b>	<b>(28,216,810)</b>	<b>-</b>	<b>86,234,862</b>

The accompanying notes are an integral part of these consolidated financial statements.

# **Afferro Mining Inc. (previously African Aura Mining Inc.) (an exploration stage company)**

Notes to Condensed Interim Consolidated Financial Statements (Unaudited)

For the period ended March 31, 2011

(in US dollars unless otherwise stated)

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## **1 Nature of operations**

Afferro Mining Inc. (“Afferro Mining” or “the Company”) and its subsidiaries (together “the group”) were incorporated as Zicor Mining Inc. under the *Business Corporations Act* (Yukon Territory) on March 19, 1996. Effective October 5, 1998, Zicor Mining Inc. purchased all interests of Mano River Resources Limited by way of a reverse takeover and changed its name to Mano River Resources Inc. On October 14, 2009 the Company announced the completion of its merger with African Aura Resources Ltd and changed its name to African Aura Mining Inc. On April 13, 2011, the day it completed the Plan of Arrangement with Aureus Mining Inc. (“Aureus Mining”) the Company changed its name to Afferro Mining.

These condensed interim consolidated financial statements (“interim financial statements”) were authorized by the board of directors on June 27, 2011.

## **2 Basis of preparation and first-time adoption of IFRS**

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants (“CICA Handbook”). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards (“IFRS”), and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company has commenced reporting on this basis in these financial statements. In these financial statements, the term “Canadian GAAP” refers to Canadian GAAP before the adoption of IFRS.

These interim financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34 *Interim Financial Reporting* and IFRS 1 *First-time adoption of International Financial Reporting Standards*. Subject to certain transition elections disclosed below, the Company has consistently applied the same accounting policies in its opening IFRS statement of financial position at January 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 11 discloses the impact of the transition to IFRS on the Company's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the company's consolidated financial statements for the year ended December 31, 2010.

The interim financial statements should be read in conjunction with the Company's Canadian GAAP annual financial statements for the year ended December 31, 2010.

The interim financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments.

### **First-time adoption exemptions applied**

IFRS1 *First-time adoption of International Financial Reporting Standards*, which governs the first time adoption of IFRS, in general requires accounting policies to be applied retrospectively to determine the opening statement of financial position at the Company's transition date of January 1, 2010, and allows certain exemptions from retrospective application on the transition to IFRS. Those exemptions the Company has elected to apply and are considered significant to the Company include:

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(in US dollars unless otherwise stated)

**2 Basis of preparation and first-time adoption of IFRS (continued)**

*(a) Business combination exemption*

The group has applied the business combination exemption in IFRS 1. It has not restated business combinations that took place prior to January 1, 2010, the transition date.

*(b) Cumulative translation reserve*

The group has elected to apply the exemption to only recognise cumulative translation differences within equity from January 1, 2010, the transition date.

**3 Summary of significant accounting policies**

The accounting policies set out below have been applied consistently in these financial statements, unless otherwise stated.

*3.1 Basis of consolidation*

*3.1.1 Subsidiaries*

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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Notes to Condensed Interim Consolidated Financial Statements (Unaudited)

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**3 Summary of significant accounting policies (continued)**

These financial statements include the accounts of Afferro Mining and its subsidiaries. The principal subsidiaries are Mano Gold Investments Ltd., Mano River Iron Ore Holdings Ltd. ("MARIOH") and Mano Diamonds Limited. The group companies at March 31, 2011 are set out below:

Company	Place of incorporation	Percentage ownership
Mano Gold Investments Limited and its subsidiaries:	Tortola, British Virgin Islands	100.0%
Mano Gold (Liberia) Ltd. and its subsidiary:	Tortola, British Virgin Islands	100.0%
Bea Mountain Mining Corporation	Monrovia, Liberia	100.0%
Golden Leo Resources Limited and its branch:	Tortola, British Virgin Islands	100.0%
Golden Leo Resources Limited (Sierra Leone Branch)	Freetown, Sierra Leone	100.0%
Golden Limbo Rock Resources Limited and its subsidiary *:	Tortola, British Virgin Islands	100.0%
Golden Limbo Rock Resources SA *	Conakry, Guinea	100.0%
African Aura Resources (LIB) Limited and its subsidiary:	Mahe, Republic of Seychelles	100.0%
African Aura Resources (Liberia) Limited	Liberia	100.0%
African Aura Resources Cameroon SARL	Cameroon	100.0%
Caminur SARL *	Cameroon	100.0%
African Aura Resources (CAR) Limited *	Mahe, Republic of Seychelles	100.0%
African Aura Resources Centrafique SURL *	Central African Republic	100.0%
African Aura Resources (ZIM) SARL *	Mahe, Republic of Seychelles	100.0%
North West Minerals Ltd. *	Mahe, Republic of Seychelles	100.0%
MARIOH and its subsidiaries:	Mahe, Republic of Seychelles	100.0%
African Aura Resources (CAM) Limited and its subsidiaries:	Mahe, Republic of Seychelles	100.0%
Caminex SARL	Cameroon	100.0%
Ridgeway Energy Limited and its subsidiary:	Mahe, Republic of Seychelles	70.0%
Ridgeway Energy Cameroon SARL	Cameroon	100.0%
Fermont Mining Ltd and its subsidiary:*	Mahe, Republic of Seychelles	100.0%
Fermont Mining Ltd *	Cameroon	100.0%
Mano Diamonds Limited	Tortola, British Virgin Islands	100.0%
African Aura Resources (UK) Limited	United Kingdom	100.0%
African Aura Mining Inc. (UK Branch)	United Kingdom	100.0%

\* Dormant companies

**3.1.2 Transactions eliminated on consolidation**

Intra-group balances and any unrealized gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the financial statements.

**3.2 *Foreign currency translation***

**3.2.1 Functional and presentation currency**

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in U.S. dollars ("\$"), ("the presentation currency").

**Afferro Mining Inc. (previously African Aura Mining Inc.)  
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Notes to Condensed Interim Consolidated Financial Statements (Unaudited)

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(in US dollars unless otherwise stated)

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**3 Summary of significant accounting policies (continued)**

On January 1, 2011, the functional currency of Caminex SARL and Ridgeway Energy SARL changed from CFA to US dollars. The change was made as a result of increasing US dollar-denominated goods and services, particularly the drilling contract covering the Djoum and Essong licence held by the respective companies, drilling consumables and salaries. The Directors consider the US dollars to most faithfully represent the economic effects of events, conditions, future direction and investment opportunities in Caminex SARL and Ridgeway Energy SARL.

In the consolidated financial statements, all separate financial statements of subsidiary entities, originally presented in a currency different from the Group's presentation currency, have been converted into US dollars. Assets and liabilities have been translated into US dollars at the closing rate at the balance sheet date. Income and expenses have been translated at the average rates over the reporting period. Any differences arising from this procedure have been charged/credited to the "Cumulative translation reserve" in equity.

**3.2.2 Foreign currency transactions**

In preparing the financial statements of the group entities, foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

**3.3 *Investment in associates***

An associate is an entity over which the group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee. The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting except when classified as held for distribution (see below). Investments in associates are carried in the consolidated statement of financial position at cost as adjusted by post-acquisition changes in the group's share of the net assets of the associate, less impairment in the value of the associate. Upon loss of significant influence over an associate the initial measurement as a financial asset is measured at the fair value of the retained investment. The difference between the carrying amount at the date when significant influence is lost and the fair value of the retained interest is recognised in profit or loss.

**3.4 *Property, plant and equipment***

All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditures that are directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amounts of any replaced parts are derecognized. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

Machinery and equipment and vehicles are depreciated at 30% per annum on a reducing balance basis.

Property, plant and equipment in the course of construction are not depreciated until it is commissioned and available for use, at which point assets in the course of construction are re-categorised as mining assets.

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(in US dollars unless otherwise stated)

**3 Summary of significant accounting policies (continued)**

Mining assets are depreciated using a units of production method based on the quantity of minerals produced over the economically recoverable reserves.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

**3.5 Acquisition, exploration and evaluation expenditure**

The Company's intangible assets relate to capitalised costs relating to the acquisition, exploration and evaluation of the Company's mineral properties. Direct acquisition costs are capitalized by property to resource properties and exploration and evaluation costs are capitalized by property to deferred exploration costs. These assets are not amortized but are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable, at least at each balance sheet date.

**3.6 Impairment**

At each balance sheet date, the Group reviews the carrying amounts of its non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense in the statement of comprehensive income.

In assessing whether there is any indication that an asset(s) may be impaired, an entity shall consider, as a minimum, the following indications:

**External**

- During the period an assets market value has declined significantly more than would be expected as a result of the passage of time
- Significant changes with an adverse effect on the entity have taken place during the year or will take place in the near future, in the technological, market, economic or legal environment in which the entity operates or in the market to which an asset is dedicated
- Market interest rates or other market rates of return on investment have increased during the year, and those increases are likely to affect the discount rate used in calculating an assets value in use and decrease the assets recoverable amount
- The carrying amount of the net assets of the entity is more than its market capitalisation

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**3 Summary of significant accounting policies (continued)**

Internal

- Evidence of obsolescence or physical damage of an asset
- Evidence from internal reporting that indicates the economic performance of an asset is or will be worse than expected
- Significant changes with an adverse effect on the entity have taken place during the year or are expected to take place in the near future to the extent and manner in which an asset is used
- The facts and circumstances indicating impairment include the following:
  - The entity's right to explore in an area has expired, or will expire in the near future, without renewal
  - No further exploration or evaluation is planned or budgeted for
  - A decision has been made to discontinue exploration and evaluation in an area because of the absence of commercial reserves
  - Sufficient data exists to indicate that the book value will not be fully recovered from future development and production

An impairment loss recognised in prior periods shall be reversed if, and only if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognised.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior periods. A reversal of an impairment loss is recognised as income immediately.

**3.7 Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and production overheads. Net realisable value represents the estimated selling price in the ordinary course of business less marketing costs.

**3.8 Provisions**

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that the Group will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Where the effect of discounting is material, provisions are discounted. The discount rate used is a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability.

**3.9 Decommissioning, mine closure and environmental rehabilitation**

The estimated cost of decommissioning, mine closure and environmental rehabilitation is based on current legal requirements and existing technology. A provision is raised based on the present value of the estimated costs. These costs are included in the cost of the related asset. The capitalised assets are depreciated in accordance with the accounting policy for property, plant and equipment.

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(in US dollars unless otherwise stated)

**3 Summary of significant accounting policies (continued)**

*3.10 Financial instruments*

Financial assets

All financial assets are recognised and derecognised on trade date when the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned. Financial assets are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss ("FVTPL"), which are initially measured at fair value.

Financial assets at FVTPL

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the Group is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in the statement of comprehensive income. The net gain or loss recognised in the statement of comprehensive income incorporates any dividend or interest earned on the financial asset.

Available for sale financial assets

Available for sale financial assets include non-derivative financial assets that are either designated as such or do not qualify for inclusion in any of the other categories of financial assets. All financial assets within this category are measured subsequently at fair value, with changes in value recognised in equity, through the statement of changes in equity. Gains and losses arising from investments classified as available for sale are recognised in the statement of comprehensive income when they are sold or when the investment is impaired. In the case of impairment of available for sale assets, any loss previously recognised in equity is transferred to the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments are not reversed through the statement of comprehensive income. Impairment losses recognised previously on debt securities are reversed through the statement of comprehensive income when the increase can be related objectively to an event occurring after the impairment loss was recognised in the statement of comprehensive income.

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**3 Summary of significant accounting policies (continued)**

Loans and receivables

Trade receivables, loans and other receivables that have fixed and determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets at amortised cost

Financial assets that are measured at amortised cost are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been affected.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Compound instruments

The component parts of compound instruments issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, in the case of a convertible bond denominated in the functional currency of the issuer that may be converted into a fixed number of equity shares, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The equity component is determined by deducting the amount of the

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**3 Summary of significant accounting policies (continued)**

liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured.

Issue costs are apportioned between the liability and equity components of the convertible loan notes based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly against equity.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of disposal in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the Group is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in the statement of comprehensive income as the Group chooses not to disclose the effective interest rate for debt instruments that are classified as at fair value through profit or loss. The net gain or loss recognised in the statement of comprehensive income incorporates any interest paid on the financial liability.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

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**3 Summary of significant accounting policies (continued)**

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value through profit or loss.

An embedded derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivatives relates to is more than 12 months and is not expected to be realised or settled within 12 months.

**3.11 Income tax**

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company's subsidiaries operate and generate taxable income. Management periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

**3.12 Share-based payments**

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Fair value is measured by use of a Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Equity-settled stock options granted to employees vest immediately and therefore the charge is recognised in the statement of comprehensive income at the grant date.

Equity-settled share-based payment transactions with other parties are measured at the fair value of the goods and services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

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**3 Summary of significant accounting policies (continued)**

*3.13 Revenue recognition*

Revenue relating to sale of diamonds is measured at the fair value of the consideration received or receivable. Revenue is recognised when the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither the continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

*3.14 Borrowing costs*

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

All other borrowing costs are recognised in the statement of comprehensive income in the period in which they are incurred.

*3.15 Leases*

Rentals payable under operating leases are charged to the statement of comprehensive income on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

*3.16 Assets and liabilities held for distribution*

Assets are classified as held for distribution to owners when the company is committed to distribute the asset to the owners. For this to be the case, the assets must be available for immediate distribution in their present condition and the distribution must be highly probable.

For the distribution to be highly probable, actions to complete the distribution must have been initiated and should be expected to be completed within one year from the date of classification and actions required to complete the distribution should indicate that it is unlikely that significant changes to the distribution will be made or that the distribution will be withdrawn.

Assets that meet the criteria to be classified as held for distribution are to be measured at the lower of carrying value and fair value less costs to distribute. Costs to distribute are incremental costs attributable to the distribution, excluding finance costs and income tax expense.

Assets that meet the criteria to be classified as held for distribution are presented separately in the statement of financial position and the results associated with assets held for distribution are presented separately in the statement of comprehensive income.

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**3 Summary of significant accounting policies (continued)**

*3.17 Critical accounting judgements and sources of estimation uncertainty*

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Significant balances and transactions affected by management estimates include, but not limited to, the valuation of the consideration on the deemed disposal of Stellar Diamonds Ltd., the carrying value of Company's investment in associates, resource properties, deferred exploration costs, asset retirement obligations and future income tax, the calculation of the fair value of stock-based compensation and warrants as well as the recovery of assets, fair value of convertible debt at inception and the allocation of proceeds between share capital and warrants. Actual results could differ from those estimates.

The amounts used to estimate fair values of stock options and warrants issued are based on estimates of future volatility of the Company's share price, expected lives of the options, expected dividends to be paid by the Company and other relevant assumptions.

By their nature, these estimates are subject to measurement uncertainty and the effect of changes in such estimates on the consolidated financial statements of future periods could be significant.

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**4 Assets held for distribution to owners**

In November 2010 the Company committed to entering a plan of arrangement (the "Arrangement"), pursuant to which The Company's interests in its gold assets (including the New Liberty Gold Project in Liberia), approximately 14% of the outstanding ordinary shares of Stellar Diamonds plc ("Stellar") and cash and cash equivalents equal to 40% of The Company's total cash balance as at April 13, 2011, the effective time of the Arrangement ("Effective Time") were transferred to Aureus Mining. As a result of the Arrangement, each shareholder of the Company received one new common share of the Company and one common share of Aureus Mining for each common share of the Company held by such shareholder at the Effective Time. In addition, the Company changed its name to "Afferro Mining Inc." as part of the Arrangement. On April 5, 2011, the Company received the requisite shareholder approval at the Company's special meeting of shareholders the Arrangement. The Arrangement was completed on April 13, 2011 and as a result, the assets transferred to Aureus Mining and the liabilities associated with those assets were reclassified as held for distribution to owners in the consolidated statement of financial position.

The loss associated with the assets held for distribution, which have been included in the interim statement of comprehensive (loss)/income, were as follows:

	<b>Period ended March 31, 2011 \$</b>	<b>Period ended March 31, 2010 \$</b>
Revenue	-	320,367
Cost of sales	-	(761,006)
<b>Gross loss</b>	<b>-</b>	<b>(440,639)</b>
Administrative expenses	<b>(97,230)</b>	(336,051)
Gain on disposal of Stellar	-	2,913,773
Loss of significant influence in Stellar	<b>(744,681)</b>	-
Share of results of Stellar	<b>(548,729)</b>	(216,919)
Interest income	<b>86</b>	3,707
Comprehensive (loss)/income	<b>(1,390,554)</b>	1,923,871
Attributable to:		
Owners of the parent	<b>(1,390,554)</b>	2,235,994
Non-controlling interest	-	(312,123)
(Loss)/income on assets held for distribution to owners	<b>(1,390,554)</b>	1,923,871

The effect of discontinued operations on segment results is disclosed in Note 9.

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**4 Assets held for distribution to owners (continued)**

The major classes of assets and liabilities comprising the operations classified as held for distribution are as follows:

	<b>March 31, 2011</b>	<b>December 31, 2010</b>
	<b>\$</b>	<b>\$</b>
Resource properties (Note 5)	<b>5,459,615</b>	5,459,615
Deferred exploration costs (Note 5)	<b>27,825,632</b>	25,691,032
Property, plant and equipment (Note 6)	<b>668,663</b>	613,878
Investment in associate (Note 7)	-	5,117,752
Available for sale asset - Stellar Diamonds plc (Note 7)	<b>3,824,342</b>	-
Trade and other receivables	<b>31,433</b>	28,905
Cash and cash equivalents	<b>10,932,428</b>	14,441,778
Total assets held for distribution	<b>48,742,113</b>	51,352,960
Trade and other payables	<b>376,813</b>	515,193
Due to related party	<b>6,317</b>	141,349
Total liabilities associated with assets held for distribution	<b>383,130</b>	656,542

**5 Intangible assets**

	<b>January 1, 2011</b>	<b>Additions</b>	<b>March 31, 2011</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Resource properties:</b>			
<b>Cameroon</b>			
Nkout	963,089	-	<b>963,089</b>
Ntem	523,203	-	<b>523,203</b>
Akonolinga	399,984	-	<b>399,984</b>
	<b>1,886,276</b>	-	<b>1,886,276</b>
<b>Deferred exploration costs:</b>			
<b>Cameroon</b>			
Nkout	4,398,027	2,456,880	<b>6,854,907</b>
Ntem	214,377	6,081	<b>220,458</b>
Akonolinga	102,302	318	<b>102,620</b>
Ngoa	85,067	238,562	<b>323,629</b>
	<b>4,799,773</b>	<b>2,701,841</b>	<b>7,501,614</b>

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**5 Intangible assets (continued)**

The movement in intangible assets which are included in the assets held for distribution for the three month period ended March 31, 2011 is as follows.

	January 1, 2011 \$	Additions \$	March 31, 2011 \$
<b>Resource properties:</b>			
<b>Liberia</b>			
Bea	210,000	-	210,000
Ndablama extension	141,349	-	141,349
	351,349	-	351,349
<b>Sierra Leone</b>			
Sonfon	1,017,000	-	1,017,000
<b>Cameroon</b>			
Batouri	4,091,266	-	4,091,266
	5,459,615	-	5,459,615
<b>Deferred exploration costs:</b>			
<b>Liberia</b>			
New Liberty	22,557,796	1,111,372	23,669,168
Weaju	1,134,480	67,081	1,201,561
Gondoja	34,348	-	34,348
Silver Hills	48,107	-	48,107
Ndablama	288,981	163,454	452,435
	24,063,712	1,341,907	25,405,619
<b>Sierra Leone</b>			
Sonfon	1,201,434	792,431	1,993,865
<b>Cameroon</b>			
Batouri	425,886	262	426,148
	25,691,032	2,134,600	27,825,632

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**5 Intangible assets (continued)**

	January 1, 2010 \$	Additions \$	Foreign exchange \$	Impairment \$	Reclassified to held for distribution \$	December 31, 2010 \$
<b>Resource properties:</b>						
<b>Liberia</b>						
Bea	210,000	-	-	-	(210,000)	-
Ndablama extension	-	141,349	-	-	(141,349)	-
North Bea	2,457,767	-	-	(2,457,767)	-	-
	2,667,767	141,349	-	(2,457,767)	(351,349)	-
<b>Cameroon</b>						
Batouri	4,091,266	-	-	-	(4,091,266)	-
Nkout	1,068,585	-	(105,496)	-	-	963,089
Ntem	579,946	-	(56,743)	-	-	523,203
Akonolinga	443,362	-	(43,378)	-	-	399,984
Ekomedion	14,297	-	-	(14,297)	-	-
	6,197,456	-	(205,617)	(14,297)	(4,091,266)	1,886,276
<b>Sierra Leone</b>						
Sonfon	1,017,000	-	-	-	(1,017,000)	-
	9,882,223	141,349	(205,617)	(2,472,064)	(5,459,615)	1,886,276

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**5 Intangible assets (continued)**

	January 1, 2010 \$	Additions \$	Foreign exchange \$	Impairment \$	Disposal of Stellar \$	Reclassified to held for distribution \$	December 31, 2010 \$
<b>Deferred exploration costs:</b>							
<b>Liberia</b>							
New Liberty	16,996,448	5,561,348	-	-	-	(22,557,796)	-
Weaju	757,598	376,882	-	-	-	(1,134,480)	-
Gondoja	34,348	-	-	-	-	(34,348)	-
North Bea	39,653	7,184	-	(46,837)	-	-	-
Silver Hills	3,009	45,098	-	-	-	(48,107)	-
Ndablama	-	288,981	-	-	-	(288,981)	-
	17,831,056	6,279,493	-	(46,837)	-	(24,063,712)	-
<b>Cameroon</b>							
Batouri	330,158	81,931	13,797	-	-	(425,886)	-
Ntem	8,280	206,743	(646)	-	-	-	214,377
Akonolinga	906	101,714	(318)	-	-	-	102,302
Nkout	4,339	4,407,479	(13,790)	-	-	-	4,398,028
Ngoa	-	85,409	(342)	-	-	-	85,067
Ekomedion	24,322	23,695	-	(48,017)	-	-	-
	368,005	4,906,971	(1,299)	(48,017)	-	(425,886)	4,799,774
<b>Sierra Leone</b>							
Kono	1,919,194	7,302	-	-	(1,926,496)	-	-
Sonfon	1,202,093	(659)	-	-	-	(1,201,434)	-
Tongo	702,360	660	-	-	(703,020)	-	-
	3,823,647	7,303	-	-	(2,629,516)	(1,201,434)	-
<b>Guinea</b>							
Bouro	180,995	-	-	-	(180,995)	-	-
Droujba and ex De Beers	159,289	-	-	-	(159,289)	-	-
Ouria	15,276	(9,078)	-	-	(6,198)	-	-
	355,560	(9,078)	-	-	(346,482)	-	-
	22,378,268	11,184,689	(1,299)	(94,854)	(2,975,998)	(25,691,032)	4,799,774

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**5 Intangible assets (continued)**

	<b>3 months ended March 31, 2011 \$</b>	3 months ended March 31, 2010 \$
<b>Deferred exploration costs</b>		
Assays incl. shipment	<b>135,466</b>	365,779
Communications incl. equipment	<b>18,439</b>	9,940
Community relations	<b>10,985</b>	62,532
Consultants and professional fees	<b>115,912</b>	68,908
Drilling	<b>1,218,255</b>	1,360,043
Infrastructure incl. roads and bridges	<b>203,011</b>	76,707
Licenses and permit fees	-	24,803
Project/field office costs, incl. field equipment	<b>400,216</b>	270,136
Salaries and wages	<b>471,418</b>	362,997
Subsistence	<b>21,724</b>	47,844
Transportation incl. vehicles	<b>106,414</b>	91,198
Kono (Petra) joint venture	-	7,302
Net expenditure during the period	<b>2,701,840</b>	2,748,189
Disposal of Stellar	-	(2,975,998)
Balance, Beginning of the period	<b>4,799,774</b>	22,378,268
<b>Balance, End of the period</b>	<b>7,501,614</b>	22,150,459

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**6 Property, plant and equipment**

	Mining assets \$	Machinery and equipment \$	Vehicles \$	Total \$
<b>Cost</b>				
At January 1, 2010	10,692,283	2,106,359	256,848	13,055,490
Additions	-	367,947	829,062	1,197,009
Disposal of subsidiary	(10,692,283)	(1,332,563)	(90,658)	(12,115,504)
Transfer to assets held for distribution	-	(187,383)	(528,250)	(715,633)
Foreign exchange	-	(24,314)	(3,349)	(27,663)
At December 31, 2010	-	930,046	463,653	1,393,699
Additions	-	360,285	453,077	813,362
Foreign exchange	-	1,246	-	1,246
At March 31, 2011	-	<b>1,291,577</b>	<b>916,730</b>	<b>2,208,307</b>
<b>Depreciation</b>				
At January 1, 2010	741,362	766,057	73,932	1,581,351
Charge for the year	246,145	291,187	106,169	643,501
Disposal of subsidiary	(987,507)	(691,039)	(48,466)	(1,727,012)
Transfer to assets held for distribution	-	(36,956)	(64,798)	(101,754)
Foreign exchange	-	(1,240)	(252)	(1,492)
At December 31, 2010	-	328,009	66,585	394,594
Charge for the period	-	57,933	44,433	102,366
Foreign exchange	-	(112)	-	(112)
At March 31, 2011	-	<b>385,830</b>	<b>111,018</b>	<b>496,848</b>
<b>Net book value</b>				
At January 1, 2010	9,950,921	1,340,302	182,916	11,474,139
At December 31, 2010	-	602,037	397,068	999,105
At March 31, 2011	-	<b>905,747</b>	<b>805,712</b>	<b>1,711,459</b>

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**7 Investments in associates**

The investment in associate relates to the Company's investment in Severstal Liberia Iron Ore Ltd ("SLIO"). During the period ended March 31, 2011 the Company's ownership of Stellar was diluted to 14.2%, thus significant influence was lost and Stellar is now accounted for as an available-for-sale financial instrument. The Group's share in the result of associates relating to share in post-acquisition losses is recorded in the consolidated statement of income/ (loss). The movement in the investments in associates is detailed below:

	<b>SLIO</b>	<b>Stellar</b>	<b>Total</b>
	<b>Continuing</b>	<b>Discontinuing</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
At January 1, 2010	7,200,097	-	7,200,097
Investment in Stellar (Note 4)	-	9,471,194	9,471,194
Additional investment	3,060,517	61,099	3,121,616
Share in result of associates	(179,536)	(2,106,040)	(2,285,576)
Impairment	-	(2,308,501)	(2,308,501)
At December 31, 2010	10,081,078	5,117,752	15,198,830
Additional investment	3,421,137	-	3,421,137
Share in result in associates	(87,192)	(548,730)	(635,922)
Loss of significant influence of associate	-	(744,680)	(744,680)
Transfer to financial instruments	-	(3,824,342)	(3,824,342)
<b>At March 31, 2011</b>	<b>13,415,023</b>	<b>-</b>	<b>13,415,023</b>

**8 Equity**

**(a) Authorised**

Unlimited number of common shares without par value.

**(b) Issued**

	<b>Shares</b>	<b>Amount</b>
		<b>\$</b>
Balance at January 1, 2010	52,884,456	50,637,085
Shares issued on private placing	30,914,567	49,278,442
Share issuance costs	-	(1,845,985)
Conversion of convertible debentures	2,053,569	6,277,970
Exercise of stock options	11,500	18,652
Balance at December 31, 2010	85,864,092	104,366,164
Exercise of stock options	388,500	589,739
Balance at March 31, 2011	<b>86,252,592</b>	<b>104,955,903</b>

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**8 Equity (continued)**

On February 21, 2011, the Company issued 229,125 new common shares in exchange for the exercise of 229,125 stock options at a weighted average exercise price of Cdn\$1.38.

On March 3, 2011, the Company issued 159,375 new common shares in exchange for the exercise of 159,375 stock options at a weighted average exercise price of Cdn\$1.65.

**(c) Stock options**

The fair value of the stock options granted in the three months ended March 31, 2011 was estimated at Cdn\$1.06 per option (3 months ended March 31, 2010: Cdn\$0.70) at the grant date based on the Black-Scholes option-pricing model using the following assumptions:

	<b>March 31, 2011</b>	March 31, 2010
Dividend yield	0%	0%
Risk free interest rate	2.47%	3.05%
Expected life	5 years	5 years
Expected volatility	44%	69%

The volatility is measured as the weighted average volatility of the Company's stock on AIM.

	<b>March 31, 2011</b>		December 31, 2010
	<b>Weighted average exercise price per share Cdn\$</b>	Number of options	Weighted average exercise price per share Cdn\$
Beginning of the year	<b>5,713,306</b>	<b>1.36</b>	3,359,806 1.42
Options granted	<b>2,285,000</b>	<b>2.75</b>	2,698,750 1.33
Options forfeited	<b>(143,812)</b>	<b>1.57</b>	(6,250) 1.60
Options expired	-	-	(327,500) 1.76
Options exercised	<b>(388,500)</b>	<b>1.49</b>	(11,500) 1.71
End of the period	<b>7,465,994</b>	<b>1.77</b>	5,713,306 1.36

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**8 Equity (continued)**

Information relating to stock options outstanding and vested at March 31, 2011 is as follows:

Expiry date	March 31, 2011		December 31, 2010	
	Exercise price per share Cdn\$	Number of stock options outstanding and vested	Exercise price per share Cdn\$	Number of stock options outstanding and vested
July 31, 2011	1.84	235,625	1.84	339,125
March 16, 2012	1.84	75,000	1.84	75,000
May 20, 2012	1.84	37,500	1.84	37,500
January 17, 2013	1.60	812,500	1.60	1,118,125
July 1, 2013	2.80	53,968	2.80	63,780
January 19, 2014	0.80	560,625	0.80	650,000
June 6, 2015	0.41	181,530	0.41	181,530
December 1, 2015	0.84	235,498	0.84	235,498
December 1, 2015	1.25	98,124	1.25	98,124
December 1, 2015	1.67	29,437	1.67	29,437
January 1, 2017	1.43	19,625	1.43	19,625
June 28, 2017	2.29	166,812	2.29	166,812
January 8, 2015	1.22	1,184,750	1.22	1,208,750
May 13, 2015	1.25	1,250,000	1.25	1,250,000
November 1, 2015	2.26	240,000	2.26	240,000
January 10, 2016	2.75	2,285,000	-	-
	<b>1.77</b>	<b>7,465,994</b>	1.36	5,713,306

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**9 Segment information**

The Company is engaged in the acquisition, exploration and development of iron ore and gold properties in the West African countries of Liberia, Cameroon, and Sierra Leone. Information presented to the Chief Executive Officer for the purposes of resource allocation and assessment of segment performance is focused on the geographical location of the exploration commodity. The reportable segments under IFRS 8 are as follows:

- Cameroon exploration;
- Liberia exploration;
- Discontinued operations of the gold properties and diamond interests; and
- Corporate and other activities.

Following is an analysis of the Group's results, assets and liabilities by reportable segment for the three month period ended March 31, 2011:

	Cameroon	Liberia	Discontinued operations	Corporate and other	Total
	\$	\$	\$	\$	\$
Loss for the period	(116,759)	(87,193)	(1,390,554)	(4,780,988)	(6,375,494)
Segment assets	11,484,234	13,436,512	48,742,113	16,664,043	90,326,902
Segment liabilities	(1,197,062)	-	(383,130)	(2,511,848)	(4,092,040)
Depreciation of property, plant and equipment	97,454	-	46,041	4,912	148,407
Capital additions					
– property, plant and equipment	727,248	-	100,824	86,114	914,186
– intangible assets	2,701,841	-	2,134,600	-	4,836,441

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**9 Segment information (continued)**

Following is an analysis of the Group's results, assets and liabilities by reportable segment for the three month period ended March 31, 2010:

	Cameroon	Liberia	Discontinued operations	Corporate and other	Consolidated
	\$	\$	\$	\$	\$
Income/(Loss) for the period	(26,626)	6,714	2,235,994	(1,499,876)	716,206
Segment assets	3,283,979	7,206,811	39,133,012	5,433,266	55,057,068
Segment liabilities	(292,487)	-	(1,444,958)	(4,839,259)	(6,576,704)
Depreciation of property, plant and equipment	56,703	-	277,282	3,394	337,379
Capital additions					
– property, plant and equipment	1,798	-	6,385	50,757	58,940
– intangible assets	560,438	-	2,195,252	-	2,755,690

**10 Subsequent events**

As disclosed in Note 4, the Company completed its Plan of Arrangement on April 13, 2011, pursuant to which The Company's interests in its gold assets (including the New Liberty Gold Project in Liberia), approximately 14% of the outstanding ordinary shares of Stellar Diamonds and cash and cash equivalents equal to 40% of The Company's total cash balance as at April 13, 2011, the effective time of the Arrangement were transferred to Aureus Mining.

On June 21, 2011 37,500 new common shares were issued by the Company pursuant to the exercise of stock options.

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**Notes to Condensed Interim Consolidated Financial Statements (Unaudited)**

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**11 First-time adoption of IFRS**

**a) Reconciliation of Statement of Financial Position**

A reconciliation between the Canadian generally accepted accounting principles ("CGAAP") and IFRS consolidated statement of financial position at January 1, 2010 (date of transition to IFRS), March 31, 2010 and December 31, 2010 is provided below.

	December 31, 2010			March 31, 2010			January 1, 2010		
	CGAAP	Adj (Note i,ii,iii)	IFRS	CGAAP	Adj (Note ii, iii)	IFRS	CGAAP	Adj (Note ii, iii)	IFRS
<b>Assets</b>									
<b>Current assets</b>									
Cash and cash equivalents	36,104,442	(14,441,776)	21,662,666	1,468,663	-	1,468,663	3,695,796	-	3,695,796
Trade and other receivables	488,010	3	488,013	4,416,939	-	4,416,939	4,414,215	-	4,414,215
Inventories	66,692	-	66,692	-	-	-	220,826	-	220,826
Assets held for distribution to owners	-	51,352,960	51,352,960	-	-	-	-	-	-
	<b>36,659,144</b>	<b>36,911,187</b>	<b>73,570,331</b>	<b>5,885,602</b>	<b>-</b>	<b>5,885,602</b>	<b>8,330,837</b>	<b>-</b>	<b>8,330,837</b>
<b>Non-current assets</b>									
<b>Intangible assets</b>									
- Resource properties	7,728,713	(5,842,437)	1,886,276	10,059,427	(291,784)	9,767,643	10,059,428	(177,205)	9,882,223
- Deferred exploration costs	30,492,105	(25,692,331)	4,799,774	22,157,960	(7,501)	22,150,459	22,378,268	-	22,378,268
Property, plant and equipment	1,662,821	(663,716)	999,105	832,250	(39,973)	792,277	11,499,181	(25,042)	11,474,139
Investment in associates	15,198,830	(5,117,752)	10,081,078	16,461,087	-	16,461,087	7,200,097	-	7,200,097
<b>Total assets</b>	<b>91,741,613</b>	<b>(405,049)</b>	<b>91,336,564</b>	<b>55,396,326</b>	<b>(339,258)</b>	<b>55,057,068</b>	<b>59,467,811</b>	<b>(202,247)</b>	<b>59,265,564</b>
<b>Liabilities</b>									
<b>Current liabilities</b>									
Trade and other payables	2,252,822	(515,193)	1,737,629	2,466,204	-	2,466,204	2,288,447	-	2,288,447
Convertible debentures	-	-	-	3,126,818	-	3,126,818	3,399,762	-	3,399,762
Interest payable on convertible debentures	-	-	-	49,040	-	49,040	120,924	-	120,924
Embedded derivative	-	-	-	-	-	-	125,388	-	125,388
Due to related parties	457,584	(112,443)	345,141	934,642	-	934,642	879,464	-	879,464
Liabilities held for distribution to owners	-	656,542	656,542	-	-	-	-	-	-
	<b>2,710,406</b>	<b>28,906</b>	<b>2,739,312</b>	<b>6,576,704</b>	<b>-</b>	<b>6,576,704</b>	<b>6,813,985</b>	<b>-</b>	<b>6,813,985</b>
<b>Non-current liabilities</b>									
Convertible debentures	-	-	-	-	-	-	396,078	-	396,078
Asset retirement obligation	46,373	-	46,373	-	-	-	54,369	-	54,369
<b>Total liabilities</b>	<b>2,756,779</b>	<b>28,906</b>	<b>2,785,685</b>	<b>6,576,704</b>	<b>-</b>	<b>6,576,704</b>	<b>7,264,432</b>	<b>-</b>	<b>7,264,432</b>
<b>Equity</b>									
Share capital	104,366,164	-	104,366,164	50,637,085	-	50,637,085	50,637,085	-	50,637,085
Share based payment reserve	7,255,394	-	7,255,394	6,139,100	-	6,139,100	5,292,619	-	5,292,619
Warrant reserve	-	-	-	2,808	-	2,808	2,808	-	2,808
Convertible debentures	-	-	-	2,637,802	-	2,637,802	2,637,802	-	2,637,802
Cumulative translation reserve	-	(1,229,363)	(1,229,363)	-	(41,804)	(41,804)	-	-	-
Deficit	(22,614,969)	773,653	(21,841,316)	(10,575,418)	(319,209)	(10,894,627)	(11,386,831)	(224,002)	(11,610,833)
Accumulated other comprehensive loss	(21,755)	21,755	-	(21,755)	21,755	-	(21,755)	21,755	-
Non-controlling interest	-	-	-	-	-	-	5,041,651	-	5,041,651
<b>Total equity</b>	<b>88,984,834</b>	<b>(433,955)</b>	<b>88,550,879</b>	<b>48,819,622</b>	<b>(339,258)</b>	<b>48,480,364</b>	<b>52,203,379</b>	<b>(202,247)</b>	<b>52,001,132</b>
<b>Total liabilities and equity</b>	<b>91,741,613</b>	<b>(405,049)</b>	<b>91,336,564</b>	<b>55,396,326</b>	<b>(339,258)</b>	<b>55,057,068</b>	<b>59,467,811</b>	<b>(202,247)</b>	<b>59,265,564</b>

**Afferro Mining Inc. (previously African Aura Mining Inc.)  
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**11 First-time adoption of IFRS (continued)**

- i) As disclosed in Note 4, the Company transferred certain assets and liabilities to Aureus Mining subsequent to the period end. This distribution fell under the guidance of IFRIC 17 Distributions of Non-cash Assets to Owners and as the Company was committed to such a distribution prior to December 31, 2010 the provisions of IFRS5 – Non-current Assets Held for Sale and Discontinued Operations have been applied. Canadian GAAP permits a specific exemption whereby assets to be disposed of by other than sale should be classified as held until disposed of.
- ii) Under Canadian GAAP, the functional currency of the Company's subsidiaries was determined to be the US dollar. Upon adoption of IFRS, the Company reassessed its functional currency for each entity in the group and determined that the functional currency for each entity was its local currency (see the subsequent reassessment on January 1, 2011, when the functional currency of Caminex SARL and Ridgeway Energy SARL changed from CFA to US dollars).
- iii) The Company took the election available under IFRS1 to re-set cumulative translation adjustments to zero upon transition to IFRS hence the reclass of the accumulated other comprehensive loss reserve to opening deficit.

**b) Reconciliation of Total Comprehensive Income**

A reconciliation between the Canadian GAAP and IFRS total comprehensive income for the period ended March 31, 2010 and year ended December 31, 2010 is provided below.

	Note	Year ended December 31, 2010	Period ended March 31, 2010
<b>Income/(loss) under Canadian GAAP</b>		<b>(11,228,138)</b>	<b>499,290</b>
Foreign exchange	i)	997,655	(95,207)
<b>Other comprehensive loss under Canadian GAAP</b>			
Currency translation adjustments	ii)	(1,229,363)	(41,804)
<b>Total Comprehensive Income/(loss) under IFRS</b>		<b>(11,459,846)</b>	<b>362,279</b>

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(in US dollars unless otherwise stated)

- i) Under Canadian GAAP, the functional currency of the Company's subsidiaries was determined to be the US dollar. Upon adoption of IFRS, the Company reassessed its functional currency for each entity in the group and determined that the functional currency for each entity was its local currency (see the subsequent reassessment on January 1, 2011, when the functional currency of Caminex SARL and Ridgeway Energy SARL changed from CFA to US dollars).
- ii) IFRS requires exchange differences arising on the translation of foreign subsidiaries into the presentation currency to be recorded in other comprehensive income.

**c) Reconciliation of Cash Flows**

The IFRS transition adjustments noted above did not have any impact on the Company's cash flows from operating, financing, or investing activities.

**d) Financial statement presentation changes**

The transition to IFRS has resulted in minor financial statement presentation changes. The changes to the statement of financial position relate to minor changes to nomenclature only, all classifications remain the same. Changes to the statement of comprehensive (loss)/income relate to classification changes for certain items of expense. The most significant of these changes is that wages and salaries have been broken out of administrative and office expenses and interest on convertible debentures has been classified as a finance expense. None of these changes has an impact on total comprehensive (loss)/income.