

Interim Consolidated Financial Statements

African Aura Mining Inc.

For The Three Months Ended March 31, 2010
(Stated in U.S. Dollars)

(Unaudited)

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AFRICAN AURA MINING INC.

6th Floor, 890 West Pender Street, Vancouver, B.C. V6C 1J9

Telephone: (604) 689-1700 Fax: (604) 687-1327

NOTICE TO READER

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited interim consolidated financial statements for the three months ended March 31, 2010.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

African Aura Mining Inc.

Consolidated Balance Sheet

As at March 31, 2010

(Stated in U.S. dollars)

	March 31, 2010 \$ (unaudited)	December 31, 2009 \$ (audited)
Assets		
Current assets		
Cash and cash equivalents	1,468,663	3,695,796
Accounts receivable	4,416,939	4,414,215
Inventories	-	220,826
	5,885,602	8,330,837
Non-current assets		
Investment in associate (Note 5)	16,461,086	7,200,097
Property, plant and equipment (Note 6)	832,250	11,499,181
Resource properties (Note 7)	10,059,428	10,059,428
Deferred exploration costs (Note 7)	22,157,960	22,378,268
Total assets	55,396,326	59,467,811
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	2,466,204	2,288,447
Convertible debentures (Note 9)	3,126,818	3,399,762
Interest payable on convertible debentures	49,040	120,924
Embedded derivative	-	125,388
Due to associate	898,170	-
Due to related parties (Note 11)	36,472	169,711
Due to joint venture partner	-	709,753
	6,576,704	6,813,985
Non-current liabilities		
Convertible debentures (Note 9)	-	396,078
Asset retirement obligation	-	54,369
Total liabilities	6,576,704	7,264,432
Shareholders' equity		
Share capital (Notes 10a)	50,637,085	50,637,085
Contributed surplus (Notes 10c)	6,139,100	5,292,619
Warrant reserve	2,808	2,808
Equity component of convertible debentures	2,637,802	2,637,802
Accumulated other comprehensive loss	(21,755)	(21,755)
Deficit	(10,575,418)	(11,386,831)
Non-controlling interest	-	5,041,651
Total shareholders' equity	48,819,622	52,203,379
Total liabilities and shareholders' equity	55,396,326	59,467,811

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

Nature of operations and continuation of business (Note 1)

Approved by the Board

(Signed) LUIS G. CABRITA DA SILVA, DIRECTOR

Luis G. Cabrita da Silva

(Signed) DAVID NETHERWAY, DIRECTOR

David Netherway

African Aura Mining Inc.

Consolidated Statements of Income/(Loss) and Comprehensive Income/(Loss)

For the three months ended March 31, 2010

(Stated in U.S. dollars)

	March 31, 2010	March 31, 2009
	\$	\$
	(Unaudited)	(Unaudited)
Revenues		
Net sales	320,367	-
Operating expenses		
Depreciation, depletion and amortization (Note 6)	246,145	-
Other operating expenses	514,861	-
Gross loss	(440,639)	-
Expenses		
Administrative and office expenses	284,742	225,989
Directors' fees	109,924	68,556
Foreign exchange (gain)/loss	(136,629)	25,966
Management fees	85,316	105,789
Interest on convertible debentures	374,110	249,130
Professional fees	283,760	55,853
Stock-based compensation (Notes 10c)	846,481	59,400
Transfer agent and filing fees	8,557	20,482
Project impairment	-	21,916
Depreciation (Note 6)	91,234	11,089
	(1,947,495)	(844,170)
Gain on disposal of subsidiary (Note 4)	2,913,773	-
Unrealised foreign exchange gain on convertible debentures (Note 9)	176,362	39,599
Share in results of associates (Note 5)	(210,205)	86,200
Interest income	7,494	1,514
Income/(Loss) and comprehensive income/(loss)	499,290	(716,897)
Income/(Loss) and Total comprehensive income/(loss) for the period		
Attributable to:		
Owners of the parent	811,413	(611,080)
Non-controlling interest	(312,123)	(105,817)
	499,290	(716,897)
Basic and diluted income/(loss) per share	0.015	(0.015)
Weighted average number of shares outstanding	52,884,456	39,726,352

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

African Aura Mining Inc.
Consolidated Statements of Cash Flow
For the three months ended March 31, 2010
(Stated in U.S. dollars)

	March 31, 2010	March 31, 2009
	\$	\$
	(unaudited)	(unaudited)
Operating Activities		
Income/(Loss) for the period	499,290	(716,897)
Items not involving cash:		
Gain on disposal of subsidiary	(2,913,773)	-
Share in results of associate	210,205	(86,200)
Stock-based compensation	846,481	59,400
Interest income	(7,494)	1,514
Interest on convertible debentures	374,110	249,130
Unrealised foreign exchange gain on convertible debentures	(176,362)	(39,599)
Unrealised foreign exchange gain	(24,411)	-
Project impairment	-	21,916
Depreciation of property, plant and equipment	337,379	11,089
Changes in working capital:		
Accounts receivable	(30,947)	130,454
Inventories	181,363	-
Accounts payable and accrued liabilities	668,033	(467,141)
Due to associate	650,080	-
	613,954	(836,334)
Investing Activities		
Disposal of subsidiary (Note 4)	(69,382)	-
Deferred exploration costs	(2,755,690)	(1,709,411)
Interest received	7,494	(1,514)
Purchase of property, plant and equipment	(58,940)	(131,090)
	(2,876,518)	(1,842,015)
Financing Activities		
Interest paid on convertible debentures	(85,387)	(73,584)
Due to/(from) related parties	96,407	(102,707)
	11,020	(176,291)
Impact of foreign exchange on cash balance	24,411	-
Net cash outflow	(2,227,133)	(2,854,640)
Cash, Beginning of the period	3,695,796	8,877,906
Cash, End of the period	1,468,663	6,034,266

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

African Aura Mining Inc.

Consolidated Statement of Shareholders' Equity

For the three months ended March 31, 2010 (unaudited)

(Stated in U.S. dollars)

	Common shares		Contributed surplus \$	Warrant reserve \$	Equity component of convertible debentures \$	Deficit accumulated in the development stage \$	Accumulated other comprehensive deficit \$	Non-controlling interest \$	Total shareholders' equity \$
	Number	Amount \$							
Balance at January 1, 2009	39,726,376	37,963,124	4,488,976	548,000	2,637,802	(4,098,885)	(21,755)	9,011,297	50,528,559
Loss for the year	-	-	-	-	-	(7,739,218)	-	(4,543,204)	(12,282,422)
Expired warrants	-	-	-	(548,000)	-	548,000	-	-	-
Dilution loss	-	-	-	-	-	(96,728)	-	96,728	-
Total comprehensive loss	-	-	-	(548,000)	-	(7,287,946)	-	(4,446,476)	(12,282,422)
Issued on acquisition	13,158,080	12,691,148	524,518	2,808	-	-	-	-	13,218,474
Shares issued	-	-	-	-	-	-	-	321,213	321,213
Share issuance costs	-	(17,187)	-	-	-	-	-	-	(17,187)
Stock-based compensation	-	-	434,742	-	-	-	-	-	434,742
Non-controlling interest in stock-based compensation	-	-	(155,617)	-	-	-	-	155,617	-
Balance at December 31, 2009	52,884,456	50,637,085	5,292,619	2,808	2,637,802	(11,386,831)	(21,755)	5,041,651	52,203,379
Income/(Loss) and Total comprehensive income (loss) for the year	-	-	-	-	-	811,413	-	(312,123)	499,290
Shares issued	-	-	-	-	-	-	-	524,917	524,917
Disposal of subsidiary	-	-	-	-	-	-	-	(5,254,445)	(5,254,445)
Stock-based compensation	-	-	846,481	-	-	-	-	-	846,481
Balance at March 31, 2010	52,884,456	50,637,085	6,139,100	2,808	2,637,802	(10,575,418)	(21,755)	-	48,819,622

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

African Aura Mining Inc.

Consolidated Statement of Shareholders' Equity

For the three months ended March 31, 2010 (unaudited)

(Stated in U.S. dollars)

1. Nature of operations

African Aura Mining Inc. ("African Aura" or "the Company") commenced operations on July 10, 1996 and is engaged in the acquisition, exploration and development of gold, iron ore and diamond properties. The Company changed its name from Mano River Resources Inc. to African Aura on October 13, 2009, the day it completed its acquisition of African Aura Resources Limited ("AAR").

2. Basis of preparation

The unaudited interim consolidated financial statements of the Company have been prepared in accordance with the accounting principles that have been applied in the consolidated financial statements for the year ended December 31, 2009. The unaudited interim consolidated financial statements do not include disclosures required by generally accepted accounting principles in Canada ("Canadian GAAP") for annual consolidated financial statements and accordingly they should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2009.

The Company has prepared these unaudited interim consolidated financial statements on a going concern basis which assumes that the Company will be able to realise assets and discharge liabilities in the normal course of business. The Company's ability to continue on a going concern basis depends on its ability to successfully raise additional finance in the future. If the Company cannot obtain additional finance in the future it may be forced to realise its assets at amounts significantly lower than the current carrying value. At March 31, 2010 the Company had cash and cash equivalents of \$1.5 million in hand. In order to progress its key projects and to have sufficient funds to finance general overhead costs the Company completed on April 20, 2010 a private stock placement raising \$17.5 million gross (£11.3 million), principally to fund New Liberty Gold deposit in Liberia, Nkout the iron ore project in Cameroon and Weaju. No funds were raised for Putu Iron Ore project as arrangements are in place to finance Putu towards a pre-feasibility study.

Uncertainty also exists with respect to the recoverability of the carrying value of certain resource properties. The ability of the Company to realise its investment in resource properties is contingent upon resolution of the uncertainties and continuing confirmation of the Company's title to the resource properties.

The United States dollar has been identified as the Company's currency of measurement and is used for external reporting purposes.

Certain comparative figures have been reclassified to conform to the presentation adopted for the current period.

African Aura Mining Inc.

Notes to the Consolidated Financial Statements

For the three months ended March 31, 2010 (unaudited)

(Stated in U.S. dollars)

3. Accounting standards and recent pronouncements

The Canadian Accounting Standards Board has confirmed January 1, 2011 as the date that International Financial Reporting Standards ("IFRS") will replace Canadian GAAP for publicly accountable enterprises. As a result, the Company will report under IFRS for interim and annual periods beginning January 1, 2011, with comparative information for 2010 restated under IFRS. Adoption of IFRS as Canadian GAAP will require the Company to make certain accounting policy choices and could materially impact the reported financial position and results of operations.

4. Deemed disposal of Stellar Diamonds Limited

On February 22, 2010, certain convertible debentures issued by Stellar Diamonds Limited ("Stellar"), previously 58.34% subsidiary of the Company at December 31, 2009, unpaid Stellar directors' fees and the 2009 management fee charged by the Company to Stellar were converted into new Stellar shares.

On the same date, Stellar completed its reverse takeover of West African Diamonds plc ("WAD"). Simultaneously, WAD changed its name to Stellar Diamonds plc, raised £5 million new funds (the "Placing") and undertook a 5 for 1 share consolidation of the enlarged share capital of the group. Stellar Diamonds plc commenced trading on AIM on February 22, 2010. Consequently, African Aura's interest in Stellar Diamonds plc at March 31, 2010 was diluted to 31.8%.

The Placing comprised the issuance of 25,000,000 new ordinary shares at 20p per share of which the Company subscribed 197,500 shares amounting to \$37,500.

The dilution of African Aura's interest in Stellar from 58.34% to 31.8% represents a deemed disposal of a subsidiary. Accordingly, African Aura has:

- derecognized the assets and liabilities of and non-controlling interest in Stellar at their carrying amounts on February 22, 2010;
- recognized as consideration on the deemed disposal the investment in associate retained in Stellar at its fair value of \$9.5 million on February 22, 2010. The fair value of investment in associate is calculated as 30,595,270 shares at 20p per share converted to 31 cents per share (at a rate of 1.54782) on February 22, 2010; and
- recognized the difference of the fair value of the consideration received and carrying amounts of the net assets of Stellar at February 22, 2010 as gain on disposal attributable to the parent.

African Aura retains significant influence in Stellar Diamonds plc through its shareholding and board position. As a result Stellar Diamonds plc is not disclosed as a discontinued operation.

African Aura Mining Inc.

Notes to the Consolidated Financial Statements

For the three months ended March 31, 2010 (unaudited)

(Stated in U.S. dollars)

4. Deemed disposal of Stellar Diamonds Limited (continued)

The following table summarizes the carrying values of the assets and liabilities disposed on February 22, 2010 and the gain on disposal of Stellar.

	\$
Current assets	
Cash and cash equivalents	69,382
Accounts receivable	28,223
Due from African Aura group companies	248,090
Inventories	39,463
	<u>385,158</u>
Non-current assets	
Property, plant and equipment (Note 6)	10,388,492
Deferred exploration costs (Note 7)	2,975,998
	<u>13,364,490</u>
Total assets disposed	<u>13,749,648</u>
Current liabilities	
Accounts payable and accrued liabilities	490,276
Interest payable on convertible debenture (Note 9)	51,336
Embedded derivative (Note 9)	125,388
Due to related parties	20,970
Due to joint venture partners	709,753
	<u>(1,397,723)</u>
Non-current liabilities	
Convertible debenture (Note 9)	485,690
Asset retirement obligation	54,369
	<u>(540,059)</u>
Total liabilities derecognized	<u>1,937,782</u>
Minority interest derecognized	<u>(5,254,445)</u>
Net assets and non-controlling interest disposed	<u>6,557,421</u>
Total consideration and on-going investment in associate	<u>9,471,194</u>
Net assets and non-controlling interest disposed	<u>6,557,421</u>
Gain on disposal of Stellar	<u>2,913,773</u>

The net cash outflow as a result of the disposal is \$69,382.

African Aura Mining Inc.

Notes to the Consolidated Financial Statements

For the three months ended March 31, 2010 (unaudited)

(Stated in U.S. dollars)

5. Investments in associates

The movement in the Company's investment in Severstal Liberia Iron Ore Ltd. (SLIO) and Stellar Diamonds plc during the period is detailed below:

	\$
At January 1, 2010	7,200,097
Deemed disposal of Stellar	9,471,914
Share in result of associates	(210,205)
At March 31, 2010	16,461,086

The Group's share in the result of the associate is recorded in the consolidated statement of income/(loss).

At March 31, 2010 the Company holds 38.5% of SLIO and 31.8% of Stellar Diamonds plc.

6. Property, plant and equipment

	Mining assets \$	Machinery and equipment \$	Total \$
Cost			
At January 1, 2010	10,692,283	2,388,232	13,080,515
Additions	-	58,940	58,940
Disposal of subsidiary (Note 4)	(10,692,283)	(1,423,221)	(12,115,504)
At March 31, 2010	-	1,023,951	1,023,951
Depreciation			
At January 1, 2010	741,362	839,972	1,581,334
Charge for the period	246,145	91,234	337,379
Disposal of subsidiary (Note 4)	(987,507)	(739,505)	(1,727,012)
At March 31, 2010	-	191,701	191,701
Net book value			
At March 31, 2010	-	832,250	832,250
At January 1, 2010	9,950,921	1,548,260	11,499,181

African Aura Mining Inc.

Notes to the Consolidated Financial Statements

For the three months ended March 31, 2010 (unaudited)

(Stated in U.S. dollars)

7. Resource properties and deferred exploration costs

	March 31, 2010 and December 31, 2009 \$
Resources properties:	
Liberia	
Bea	210,000
North Bea	2,457,767
	<u>2,667,767</u>
Cameroon	
Batouri	4,091,266
Djoum	1,159,105
Ntem	629,073
Akonolinga	480,920
Ekomedion	14,297
	<u>6,374,661</u>
Sierra Leone	
Sonfon	1,017,000
	<u>1,017,000</u>
	<u>10,059,428</u>

African Aura Mining Inc.

Notes to the Consolidated Financial Statements

For the three months ended March 31, 2010 (unaudited)

(Stated in U.S. dollars)

7. Resource properties and deferred exploration costs (continued)

	January 1, 2010 \$	Additions \$	Disposal of subsidiary (Note 4) \$	March 31, 2010 \$
Deferred exploration costs:				
Liberia				
Bea	16,996,448	2,139,510	-	19,135,958
Weaju	757,598	-	-	757,598
Gondoja	34,348	-	-	34,348
North Bea	39,653	1,470	-	41,123
Silver Hills	3,009	6,869	-	9,878
	<u>17,831,056</u>	<u>2,147,849</u>	<u>-</u>	<u>19,978,905</u>
Cameroon				
Batouri	330,158	49,178	-	379,336
Ntem	8,280	33,533	-	41,813
Akonolinga	906	3,900	-	4,806
Djoum	4,339	463,183	-	467,522
Ekomedion	24,322	52,217	-	76,539
Rey Bouba	-	1,123	-	1,123
Tchollire	-	6,482	-	6,482
	<u>368,005</u>	<u>609,616</u>	<u>-</u>	<u>977,621</u>
Sierra Leone				
Kono	1,919,194	7,302	(1,926,496)	-
Sonfon	1,202,093	(659)	-	1,201,434
Tongo	702,360	660	(703,020)	-
	<u>3,823,647</u>	<u>7,303</u>	<u>(2,629,516)</u>	<u>1,201,434</u>
Guinea				
Bouro	180,995	-	(180,995)	-
Druzhba and ex De Beers	159,289	-	(159,289)	-
Ouria	15,276	(9,078)	(6,198)	-
	<u>355,560</u>	<u>(9,078)</u>	<u>(346,482)</u>	<u>-</u>
	<u>22,378,268</u>	<u>2,755,690</u>	<u>(2,975,998)</u>	<u>22,157,960</u>

African Aura Mining Inc.

Notes to the Consolidated Financial Statements

For the three months ended March 31, 2010 (unaudited)

(Stated in U.S. dollars)

7. Resource properties and deferred exploration costs (continued)

	Three months ended March 31, 2010 \$	Three months ended March 31, 2009 \$
Deferred exploration costs		
Assays incl. shipment	365,779	7,525
Communications incl. equipment	9,940	10,407
Community relations	62,532	38,405
Consultants and professional fees	68,908	27,678
Data, images, reports and maps	-	3,400
Drilling	1,367,544	6,676
Infrastructure incl. roads and bridges	76,707	116,541
Licenses and permit fees	24,803	(3,956)
Project/field office costs incl. field equipment	270,136	99,002
Salaries and wages	362,997	427,108
Subsistence	47,844	7,241
Transportation incl. vehicles	91,198	294,919
Kono (Petra) joint venture	7,302	700,607
Net expenditure during the year	2,755,690	1,735,553
Impairment during the period	-	(21,916)
Disposal of Stellar Diamonds	(2,975,998)	-
Balance, Beginning of the period	22,378,268	27,316,442
Balance, End of the period	22,157,960	29,030,079

8. Joint ventures and Project agreements

Following the deemed disposal of Stellar Diamonds Limited as set out in Note 4, the diamond projects are no longer controlled by Company.

There have been no other significant changes to the joint venture and project agreements during the period.

African Aura Mining Inc.

Notes to the Consolidated Financial Statements

For the three months ended March 31, 2010 (unaudited)

(Stated in U.S. dollars)

9. Convertible debentures

Below is a summary of the debt element of the convertible debentures:

	March 31, 2010	December 31, 2009
	\$	\$
Opening balance	3,795,840	2,048,638
Fair value accretion	268,021	781,212
Unrealised foreign currency exchange loss/(gain)	(176,362)	205,309
Net proceeds from issue of Stellar convertible loan notes	-	727,773
Conversion of Stellar convertible debentures to equity	(274,991)	-
Disposal of Stellar	(485,690)	-
Fair value accretion on Stellar convertible loan notes	-	32,908
Closing balance	3,126,818	3,795,840
Included in current liabilities	3,126,818	3,399,762
Included in non-current liabilities	-	396,078
	3,126,818	3,795,840

On February 22, 2010, certain convertible debentures issued by Stellar on May 20, 2010 amounting to \$474,991 (including \$200,000 held by the Company) and accrued interest of \$71,250 were converted into Stellar shares. The remaining convertible debentures issued by Stellar of \$485,690, accrued interest of \$51,336 and related embedded derivative of \$125,388 were derecognized on the deemed disposal of Stellar as discussed in Note 4.

10. Share capital

(a) Common stock

There were no issues of shares of the Company during the three month period ended March 31, 2010.

(b) Stock options in the Company

A summary of the status of the Company's Stock Option Plan as at March 31, 2010 and December 31, 2009 and changes during the three month period and the year, respectively, are as follows:

	March 31, 2010		December 31, 2009	
	Number of options	Weighted average exercise price per share Cdn\$	Number of options	Weighted average exercise price per share Cdn\$
Beginning of the period	3,359,806	1.42	2,255,000	1.68
Options granted on acquisition of AAR	-	-	794,806	1.30
Other options granted	1,208,750	1.22	650,000	0.80
Options expired	-	-	(340,000)	1.92
End of the period	4,568,556	1.37	3,359,806	1.42

African Aura Mining Inc.

Notes to the Consolidated Financial Statements

For the three months ended March 31, 2010 (unaudited)

(Stated in U.S. dollars)

10. Share capital (continued)

(c) Stock options in Company

The options granted during the period have resulted in a charge to the consolidated statement of income/(loss) of \$846,481 (2009: \$59,400) with the Black-Scholes option pricing model and the following assumptions: nil dividend yield (2009: nil), a weighted average expected volatility of the Company's share price of 69% (2009: 74%) based on the weighted average volatility on AIM, a weighted average annual risk free rate of 3.05% (2009: 3.5%) and an expected life of five years (2009: five years).

Below is the summary of the outstanding stock options:

Expiry date	March 31, 2010		December 31, 2009	
	Exercise price per share Cdn \$	Number of stock options outstanding	Exercise price per share Cdn \$	Number of stock options outstanding
July 25, 2010	1.76	327,500	1.76	327,500
July 31, 2011	1.84	344,375	1.84	344,375
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	1,130,625	1.60	1,130,625
July 1, 2013	2.80	63,780	2.80	63,780
January 19, 2014	0.80	650,000	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	1.43	166,812
January 8, 2015	1.22	1,208,750	-	-
		4,568,556		3,359,806

11. Related party transactions

The following table summarises the Company's related party transactions:

	March 31, 2010	March 31, 2009
	\$	\$
Incurring management fees by directors	126,156	122,201
Incurring directors fees	52,738	68,556
	178,894	190,757

These transactions are in the normal course of business and are repayable on demand. A portion of the management fees have been capitalised within the deferred exploration costs. No consultancy payments were made during the quarter.

African Aura Mining Inc.

Notes to the Consolidated Financial Statements

For the three months ended March 31, 2010 (unaudited)

(Stated in U.S. dollars)

11. Related party transactions (continued)

The amounts due to related entities at March 31, 2010 are as follows:

	March 31, 2010	December 31, 2009
	\$	\$
Directors' companies	-	9,499
Various directors	36,472	160,213
	36,472	169,712

These balances are payable on demand and have arisen from the provision of services rendered as set out above.

Amount due to/from related parties are settled through the course of the operating working capital cycle. Due to the short term nature of the amounts outstanding the fair value approximates to the carrying amount.

12. Capital risk management

The Company's objectives when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to ensure sufficient resources are available to meet day to day operating requirements.

The Company's Board of Directors takes full responsibility for managing the Company's capital and does so through board meetings, review of financial information, and regular communication with Officers and senior management.

In order to maximise ongoing development efforts, the Company does not pay out dividends. The Company's investment policy is to invest its cash in deposits with high credit worthy financial institutions with short term maturity.

The Company expects its current capital resources will be sufficient to carry out its plans and operations through its current operating period.

The Company is not subject to externally imposed capital requirements and there has been no change in the overall capital risk management as at March 31, 2010.

African Aura Mining Inc.

Notes to the Consolidated Financial Statements

For the three months ended March 31, 2010 (unaudited)

(Stated in U.S. dollars)

13. Financial instruments and financial risk management

The Company's financial assets and liabilities are cash, accounts receivable, accounts payable and accrued liabilities, due to associate, due to/from joint venture partner, due to related parties, convertible debentures and embedded derivatives. The fair values of these financial instruments are estimated to approximate their carrying values due to their immediate or short-term nature.

The carrying amounts for the financial instruments are as follows:

	March 31, 2010	December 31, 2009
	\$	\$
Financial assets:		
<i>Held for trading</i>		
Cash	1,468,663	3,695,796
<i>Loans and receivables, measured at amortised cost</i>		
Accounts receivable	4,416,939	4,414,215
	5,885,602	8,110,011
Financial liabilities:		
<i>Other liabilities, measured at amortised cost</i>		
Accounts payable and accrued liabilities	2,466,204	2,119,693
Convertible debentures	3,126,818	3,795,840
Interest payable on convertible debentures	49,040	120,924
Due to associate	898,170	-
Due to joint venture partner	-	709,753
Due to related parties	36,472	169,711
	6,576,704	6,915,921
<i>Other liabilities, measured at fair value through profit and loss</i>		
Embedded derivative	-	125,388

In the normal course of its operations, the Company is exposed to currency, interest rate, liquidity and credit risks.

African Aura Mining Inc.

Notes to the Consolidated Financial Statements

For the three months ended March 31, 2010 (unaudited)

(Stated in U.S. dollars)

13. Financial instruments and financial risk management (continued)

Foreign currency risk

In the normal course of business, the Company enters into transactions denominated in foreign currencies (primarily Pound Sterling, Canadian Dollars, Communauté Financière Africaine Franc and Euros). As a result, the Company is subject to exposure from fluctuations in foreign currency exchange rates. In general, the Company does not enter into derivatives to manage these currency risks. The Company attempts to reduce its exposure to currency risk by entering into contracts denominated in US Dollars whenever possible. There are no outstanding currency forward contracts as of March 31, 2010 and December 31, 2009.

Interest rate and liquidity risk

Fluctuations in interest rates impact on the value of short term cash investments and interest payable on financing activities (including long term loans), giving rise to interest rate risk. The Company has in the past been able to actively source financing through public offerings, corporate dealings or issuing fixed rate convertible debentures. This cash is managed to ensure surplus funds are invested in a manner to achieve maximum returns while minimising risks. In the ordinary course of business, the Company is required to fund working capital and capital expenditure requirements. The Company generally enters into variable interest bearing borrowings. The Company typically holds financial assets with a maturity of less than 30 days to ensure adequate liquidity and flexibility.

Due to the short maturity of the financial assets and the fixed rate of interest on the convertible debentures, if interest rates were to double, it would have an insignificant impact on the Company's financial performance.

The Company ensures that its liquidity risk is mitigated by placing financial assets on short term maturity, thus all financial liabilities are met as they become due. As discussed in Note 14, the Company raised \$17.5 million through a private placing on April 20, 2010.

Credit risk

The Company's maximum credit risk exposure is in connection with the cash and cash equivalents held with financial institutions and the amount receivable from Severstal. The Company manages its risk by holding surplus funds in high credit worthy financial institutions and maintains minimum balances with financial institutions in remote locations.

African Aura Mining Inc.

Notes to the Consolidated Financial Statements

For the three months ended March 31, 2010 (unaudited)

(Stated in U.S. dollars)

14. Subsequent events

On April 20, 2010, the Company announced that it has conducted a private placing to raise gross proceeds of approximately £11.3 million (US\$17.5 million) consisting of 17,398,770 new common shares of no par value in the capital of the Company ('the Placing Shares') at 65 pence per share (CAD\$1.012) ('the Placing Price') ('the Placing').

Highlights

- Under the Placing the Company issued the new common shares to certain institutional and other investors and certain Directors of the Company.
- Participations by Directors of the Company in the Placing total over £450,000
- Net proceeds of the Placing are anticipated to fund the Company's projects detailed below for at least 14 months and are intended to be applied as follows:
 - for completion of a Bankable Feasibility Study on the New Liberty gold deposit in Liberia (estimated cost approximately \$9.0 million);
 - to deliver a maiden resource statement for the Nkout iron ore project in Cameroon (estimated cost approximately \$3.8 million);
 - to deliver a NI 43-101 resource statement for the Weaju deposit in Liberia (estimated cost approximately \$1.1 million); and
 - the remaining net proceeds to fund the Company's working capital requirements.
- No funds were raised in this Placing that will be applied to Putu Iron Ore Project in Liberia, which is currently fully funded under the joint venture agreement with Severstal Resources.
- The Placing Price represents a discount of 3.7% to the closing middle market price of 67.5 pence per common share on AIM on April 19, 2010 (the last trading day prior to the issue of the announcement).
- The Placing Shares represent approximately 24.8% of the Company's enlarged issued share capital immediately following admission.

Directors' Shareholdings

The Company has been notified that 702,650 common shares in aggregate were placed at the Placing Price with the following Directors:

Director	Number of common shares taken up under the Placing	Value of common shares taken up under the Placing	Total number of common shares held following the Placing	Percentage of enlarged issued share capital
David Netherway	19,000	£12,350.00	84,594	0.12%
Luis da Silva	45,650	£29,672.50	58,159	0.08%
Guy Pas	538,000	£349,700.00	5,597,226	7.96%
David Evans	23,000	£14,950.00	245,500	0.35%
Steven Poulton	77,000	£50,050.00	1,234,102	1.74%
	702,650	£456,722.50	7,219,581	10.27%

Following admission, the total issued share capital of the Company is 70,283,226 common shares, all of which have voting rights.

On May 13, 2010, the Company granted incentive stock options to certain directors and employees to purchase up to an aggregate of 1,250,000 common shares of no par value, representing approximately 1.49% of the issued share capital of the Company at an exercise price of Cdn\$1.25 per share, exercisable immediately and for a period of five years.